



中国银河证券股份有限公司 CHINA GALAXY SECURITIES CO., LTD.

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

Stock Code: 06881



Annual Report 2014



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DEFINITIONS

In this report, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

“A Share(s)”	the shares that is (are) traded on the Shanghai Stock Exchange or the Shenzhen Stock Exchange in Renminbi
“Article of Association”	the articles of association of the Company (as amended from time to time)
“Board” or “Board of Directors”	the Board of Directors of the Company
“bp”	unit of measurement for the change in interest rate of bonds and notes, one bp equals to 1% of a percentage point
“CG Code”	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
“Company”	China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司), a joint stock limited company incorporated in the PRC on 26 January 2007, whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 06881)
“Company Law”	the Company Law of the People’s Republic of China
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Directors”	directors of the Company
“Domestic Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is(are) subscribed for or credited as fully paid in RMB
“End of the Reporting Period”	31 December 2014
“ETF”	exchange-traded funds
“Futures IB Business”	the business activities in which securities firms, as commissioned by futures companies, introduce clients to futures companies to provide futures brokerage and other related services
“Galaxy Capital”	Galaxy Capital Management Company Limited (銀河創新資本管理有限公司), in which the Company holds an equity interest of 100%
“Galaxy Derivative”	Galaxy Derivative Financial Service Co., Ltd. (銀河德睿資本管理有限公司), whose equity interest is held as to 70% and 30% by Galaxy Futures and Galaxy Financial Holdings, respectively
“Galaxy Financial Holdings”	China Galaxy Financial Holdings Limited (中國銀河金融控股有限責任公司), the controlling shareholder of the Company
“Galaxy Fund Management”	Galaxy Fund Management Company Limited (銀河基金管理有限公司), in which Galaxy Financial Holdings holds an equity interest of 50%
“Galaxy Futures”	Galaxy Futures Company Limited (銀河期貨有限公司), in which the Company holds an equity interest of approximately 83.32%
“Galaxy International Holdings”	China Galaxy International Financial Holdings Company Limited (中國銀河國際金融控股有限公司), in which the Company holds an equity interest of 100%



DEFINITIONS

“Galaxy Investment”	China Galaxy Investment Management Company Limited (中國銀行投資管理有限公司)
“Galaxy Jinhui”	Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金匯證券資產管理有限公司), whose 100% equity is held by the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares in the share capital of the Company with a nominal value of RMB1.00 each, which is(are) listed on the Hong Kong Stock Exchange and are subscribed for and traded in HK dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huijin”	Central Huijin Investment Ltd. (中央滙金投資有限責任公司), which currently holds a 78.57% equity interest of Galaxy Financial Holdings
“IPO”	Initial Public Offering
“Listing Date”	the date on which the Company’s H Shares were listed on the Hong Kong Stock Exchange, being 22 May 2013
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
“margin and securities refinancing”	a business in which securities firms can act as intermediaries to borrow funds or securities from the China Securities Finance Co., Ltd. and lend such funds and securities to their clients
“Market Share”	the market share
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Companies set out in the Appendix 10 to the Listing Rules
“New OTC Board”	National Equities Exchange and Quotations for medium and small-sized enterprises
“PRC” or “China”	the People’s Republic of China, and for the purposes of this annual report, excluding Hong Kong, Macau Special Administrative Region and Taiwan region
“Prospectus”	the prospectus dated 9 May 2013 issued by the Company in relation to the listing of its H shares on the main board of the Hong Kong Stock Exchange
“QDII”	Qualified Domestic Institutional Investor
“QFII”	Qualified Foreign Institutional Investor
“Reporting Period”	the period from 1 January 2014 to 31 December 2014



DEFINITIONS

“RQFII”	Renminbi Qualified Foreign Institutional Investor, a pilot program launched in the PRC which allows Hong Kong subsidiaries of PRC brokerage companies and fund houses to facilitate investments of offshore Renminbi into the PRC capital markets
“SASAC”	the State-owned Assets Supervision and Administration Committee of the State Council (國務院國有資產監督管理委員會)
“Securities Law”	the Securities Law of the People’s Republic of China
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“SHCI”	the Shanghai Composite Index
“SSE”	the Shanghai Stock Exchange
“Supervisors”	supervisors of the Company
“Supervisory Committee”	the supervisory committee of the Company
“SZCI”	the Shenzhen Component Index
“SZSE”	the Shenzhen Stock Exchange
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“US\$” or “U.S. dollars” or “USD”	United States dollars, the lawful currency of the United States

Notes:

1. In this report, any discrepancies between totals and sums of amounts listed are due to rounding.
2. This report is prepared in both Chinese and English languages and in the event of any inconsistency, the Chinese version shall prevail.



CHAIRMAN'S STATEMENT



Dear shareholders,

In 2014, with the gradual progress in the integration of the industry, gradual implementation of the “one belt and one road” strategy, introduction of a mixed ownership mechanism on a pilot basis and reform and development of central and local state-owned enterprises, the Chinese capital market entered a new stage of accelerated reform and innovation. The Company seized the opportunity and achieved better operating performance under the collective efforts of all employees of the Company. Total revenue and other income was RMB13.017 billion. The net profits attributable to shareholders of the Company was RMB3.771 billion, an increase of 54.48% and 76.59%, respectively, compared to that in 2013, the weighted average return on net assets was 13.91%. During this year, the Board of the Company completed the interim evaluation of the implementation of strategy and formulated the three-year capital planning. The application for A Shares IPO was officially accepted by CSRC. Meanwhile, market-oriented reform made progress. The systems of risk management and internal control were improved. The Company newly obtained, among others, the qualification for pilot Internet securities business, qualification for securities investment fund custody, qualification for market making business of the nationwide shares transfer system and authorization for Hong Kong Stock Connect business transaction. The scope of business was further expanded.

Looking ahead to 2015, the Chinese securities market is facing reshuffle and reform. It will be the prime time for development of the securities industry with strategic opportunities, which will lead to the emergence of a group of internationally competitive investment banks with brand influence and significance in the system. We must face competition, carry out reforms, seize the opportunities and make development as the first priority. The Company will maintain the focus on making progress and achieving new developments. The Company will grasp the opportunities with strong commitment to its reform and progress, pushing forward the successful follow-on offering of H Shares and the listing of A Shares through various channels. Meanwhile, external expansion will continue to be promoted through merger and acquisition and business integration. Internally, the Company will make innovative developments. Market-oriented reform will be further promoted and the governance mechanism will be continuously optimized. Talents for transformation will be recruited and nurtured, effectively strengthening our core competitiveness and improving the efficiency and degree of capital operation.

By order of the Board
China Galaxy Securities Co., Ltd.

陈有安

Chen Youan
Chairman

27 March 2015



SECTION I IMPORTANT NOTES

The Board of Directors, Supervisory Committee, Directors, Supervisors and senior management of the Company undertake that there are no misrepresentation, misleading statement or material omission in this report and they are jointly and severally liable for the authenticity, accuracy and completeness of the information contained in this annual report.

This report has been approved at the 49th meeting of the 2nd session of the Board of Directors, with 8 directors attended and voted at the meeting. Xu Guoping (director) cannot attend the meeting and authorized Li Chenghui (director) in writing to attend meeting and vote at the meeting on behalf of him. Wang Shiding (director) and Zhou Ruijin (director) cannot attend the meeting and each authorized Liu Feng (director) to attend meeting and vote at the meeting on behalf of him. No objection was put forward by Directors and Supervisors for this report.

The financial report for 2014 was prepared by the Company according to International Financial Reporting Standards (“IFRS”) and PRC Corporate Accounting Standards (“PRC GAAP”), which has been audited by Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP and they have issued auditors’ report with unqualified opinions. Unless otherwise stated, the amounts in this report are presented in RMB.

Mr. Chen Youan (chairman), Mr. Gu Weiguo (president) and Ms. Zhu Ruimin (chief financial officer and general manager of finance and planning department) hereby confirm that the financial reports as disclosed in this annual report are true, accurate and complete.

The forward-looking statements such as future plans, development strategies contained in this report do not constitute substantive undertakings by the Company to investors who are advised to be cautious about investment risks.



SECTION II SIGNIFICANT RISK WARNINGS

Our businesses are highly dependent upon the overall economic and market conditions in China and other regions where our businesses are located. Any fluctuation in domestic and international capital markets will have significant impact on the Company's operating results.

The risks that the Company faced mainly include: legal and compliance risks as a result of our business management and norms failing to follow up in a timely manner to meet the adjustment to laws and regulations as well as the rules of regulatory bodies; strategic risks arising from the formulation of strategy plan under the profound changes in domestic and overseas capital markets, risks of internal operations and management arising from changes of business model, commencement of innovative business and changes of new technologies; market risk caused by price fluctuation in the market at which the Company holds positions of securities; credit risk arisen from breach of contracts by borrowers or counterparties; liquidity risk arising from shortage of funds when the Company fulfills its obligations of payment; and operational risk arising from the omission of internal management, fault of information system or misconduct of the staff. In addition, the Company is also exposed to risks from the internationalization of competition and exchange rate.

The Company will work on its organizational structure, management mechanism, information technologies and other aspects to prevent the above mentioned risks. At the same time, the Company will optimize its business process to control operational risks, manage its exposure to market risk and credit risk, and will pay more attention to monitoring risks arising from innovative businesses and products.



SECTION III COMPANY PROFILE

I. COMPANY PROFILE

1. Name of the Company

Registered Chinese Name: 中國銀河證券股份有限公司

Registered English Name: China Galaxy Securities Co., Ltd.

2. Legal Representative: Chen Youan

General Manager (President): Gu Weiguo

3. Registered Capital: RMB7.537 billion

Net Capital: RMB25.462 billion

4. Qualification of individual business

- (1) Qualification for warrant clearance
- (2) Qualification for warrant trading
- (3) Primary dealer of ETF
- (4) Qualification for sales of open-ended securities investment funds
- (5) Clearing participant of China Securities Depository and Clearing Company Limited
- (6) Qualification for online securities entrustment business
- (7) Member of SSE
- (8) Member of SZSE
- (9) Qualification for sponsorship
- (10) Qualification for offering intermediary services for futures companies
- (11) Qualification for placement target for offline enquiry
- (12) Qualification for bulk trading at SZSE



SECTION III COMPANY PROFILE

- (13) Qualification for bulk trading at SSE
- (14) Qualification for offline placement electronic trading platform of SSE
- (15) Qualification for offline placement electronic trading platform of SZSE
- (16) Qualification for engagement in targeted asset management business
- (17) Qualification for engagement in collective asset management business
- (18) Primary Dealer at SSE
- (19) Qualified investor in bulk trading system at SSE
- (20) Qualification for engagement in national inter-bank lending business
- (21) Qualification for direct investment
- (22) Qualification for margin financing and securities lending transactions
- (23) Qualification for stock-index futures trading transactions
- (24) Class B qualification for underwriting book-entry MOF bond
- (25) Qualification for securities-based lending transactions on a pilot basis
- (26) Qualification for dealer-quoted bond repurchase transactions on a pilot basis
- (27) Member of the China Securities Association in fund evaluation
- (28) Qualification for offering comprehensive services for insurance institutional investors
- (29) Qualification for engagement in foreign securities investment and management businesses as QDII
- (30) Qualification for underwriting private placement bond for small and medium-sized enterprises on a pilot basis
- (31) Qualification for offering debt financing instruments for non-financial companies as a lead underwriter
- (32) Qualification for sales of financial products
- (33) Qualification for engagement in the special institutional client business of insurance institutions
- (34) Authorities for securities-based lending transactions (approved by the SZSE)



SECTION III COMPANY PROFILE

- (35) Qualification for offering equity swap services
- (36) Qualification for OTC trading
- (37) Qualification for short selling business on a pilot basis
- (38) Qualification for lending business for margin and securities refinancing
- (39) Qualification for engagement in entrusted insurance fund management business
- (40) Qualification for engagement in comprehensive custody business of private fund on a pilot basis
- (41) Qualification for chief agency broker in national share transfer system
- (42) Qualification for participation in interest swap transactions
- (43) Authorities for dealer-quoted securities repurchase transactions (approved by the SSE)
- (44) Authorities for dealer-quoted securities repurchase transactions (approved by the SZSE)
- (45) Authorities for dealer-quoted repurchase transactions
- (46) Qualification for digital certificate authentication as agency
- (47) Qualification for engagement in relevant businesses at Zhejiang Equities Exchange Centre
- (48) Qualification for margin and securities refinancing on a pilot basis
- (49) Qualification for securities-based repurchase transactions on a pilot basis (approved by the SSE)
- (50) Qualification for pilot of consumption payment service of client securities capital
- (51) Qualification of concurrent-business insurance agency
- (52) Qualification for pilot of Internet securities business
- (53) Qualification for participation in simulated options trading by self-owned business (Approved by SSE)
- (54) Qualification for pilot of OTC income receipt business
- (55) Qualification of securities investment fund custody
- (56) Qualification of market making business of the nationwide shares transfer system



SECTION III COMPANY PROFILE

- (57) Authorization for Hong Kong Stock Connect business transaction
- (58) Qualification of gold spot contract agency business
- (59) Membership of Shanghai Gold Exchange
- (60) Qualification of participant of quotation and service system for inter-institutional private equity products

5. Headquarters in the PRC

Registered address	2-6/F, Tower C, Corporate Square, 35 Finance Street, Xicheng District, Beijing, PRC, 100033
Office address	2-6/F, Tower C, Corporate Square, 35 Finance Street, Xicheng District, Beijing, PRC, 100033
Website of the Company	http://www.chinastock.com.cn
Email address:	yhgf@chinastock.com.cn

6. Principal Place of Business in Hong Kong

Unit 3501-07, 3513-14, 35/F, Cosco Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong

7. Secretary to the Board

Secretary to the Board	Wu Chengming
Address	Tower C, Corporate Square, 35 Finance Street, Xicheng District, Beijing, PRC, 100033
Telephone	010-66568338
Fax	010-66568640
E-mail	wuchengming@chinastock.com.cn

8. Joint Company Secretaries

Wu Chengming, Yung Mei Yee

9. Authorized Representatives

Wu Chengming, Yung Mei Yee

10. Statutory auditors engaged by the Company

Domestic accounting firm: Deloitte Touche Tohmatsu Certified Public Accountants LLP

International accounting firm: Deloitte Touche Tohmatsu



SECTION III COMPANY PROFILE

II. HISTORY

In June 2005, according to Basic Thoughts on Restructuring of China Galaxy Securities Limited Liability Company, approved by the State Council, the State Council decided to implement restructuring of China Galaxy Securities Limited Liability Company (中國銀河証券有限責任公司) through investment made by Huijin. On 8 August 2005, Huijin and the Ministry of Finance (“MOF”) together established Galaxy Financial Holdings. On 22 December 2005, after approved by Reply on Approval of the Restructuring Proposal of China Galaxy Securities Co., Ltd. issued by CSRC (CSRC Ji Gou Zi [2005] No. 163), Galaxy Financial Holdings, as a main promoter, together with 4 domestic investors, namely Beijing Tsinghua Venture Capital Co., Ltd. (北京清華科技創業投資有限責任公司), Chongqing Water Holdings (Group) Co., Ltd. (重慶市水務控股(集團)有限公司), China General Technology (Group) Holding Limited (中國通用技術(集團)控股有限責任公司) and China National Building Material Company Limited (中國建材股份有限公司), jointly established China Galaxy Securities Co., Ltd.

According to the restructuring proposal approved by the State Council and relevant replies from CSRC, the Company was duly established with registered capital of RMB 6 billion after completion of its registration on 26 January, 2007 pursuant to the Approval of Opening of China Galaxy Securities Co., Ltd. (CSRC Ji Gou Zi [2006] No. 322) issued by CSRC. The Company acquired the securities brokerage business, investment banking business and related assets from China Galaxy Securities Limited Liability Company. China Galaxy Securities Limited Liability Company is renamed as “China Galaxy Investment Management Company Limited” and ceased to engage in securities business.

In 2010, China General Technology (Group) Holding Limited transferred its 2 million Domestic Shares then held by it to Zhejiang Tianlang Investment Management Company Limited (浙江天朗投資管理有限公司). CSRC Beijing Bureau issued the Letter of No-Objection Concerning the Change of Shareholders with Less than 5% Shareholding of China Galaxy Securities Co., Ltd. (Jing Zheng Ji Gou Fa [2010] No. 226) in respect of the captioned transfer, and the Company completed relevant procedures concerning change of equity rights according to related requirements.

On 9 May 2008, Beijing Tsinghua Venture Capital Co., Ltd. (北京清華科技創業投資有限責任公司) was renamed as Beijing Qingyuan Defeng Venture Capital Co., Ltd. (北京清源德豐創業投資有限公司). In 2011, it transferred its 2 million Domestic Shares then held by it to Shougang Corporation (首鋼總公司). CSRC Beijing Bureau issued the Letter of No-Objection Concerning the Change of Shareholders with Less than 5% Shareholding of China Galaxy Securities Co., Ltd. (Jing Zheng Ji Gou Fa [2012] No. 2) in respect of the captioned transfer, and the Company completed relevant procedures concerning change of equity rights according to related requirements.

In 2012, Galaxy Financial Holdings transferred the economic interests attributable to an aggregate of 628.878017 million Domestic Shares to 30 institutions including PICC P & C and 3 individuals. On 8 October 2012, 18 October 2012, 27 November 2012 and 10 December 2012, CSRC Beijing Bureau issued the Letter of No-Objection Concerning the Change of Shareholders with Less than 5% Shareholding of China Galaxy Securities Co., Ltd. (Jing Zheng Ji Gou Fa [2012] No. 149), Letter of No-Objection Concerning the Change of Shareholders with Less than 5% Shareholding of China Galaxy Securities Co., Ltd. (Jing Zheng Ji Gou Fa [2012] No. 158), Letter of No-Objection Concerning the Change of Shareholders with Less than 5% Shareholding of China Galaxy Securities Co., Ltd. (Jing Zheng Ji Gou Fa [2012] No. 166), and Letter of No-Objection Concerning the change of Shareholders with Less than 5% Shareholding of China Galaxy Securities Co., Ltd. (Jing Zheng Ji Gou Fa [2012] No. 171), respectively, and the Company completed relevant procedures concerning changes of equity rights according to related requirements accordingly.

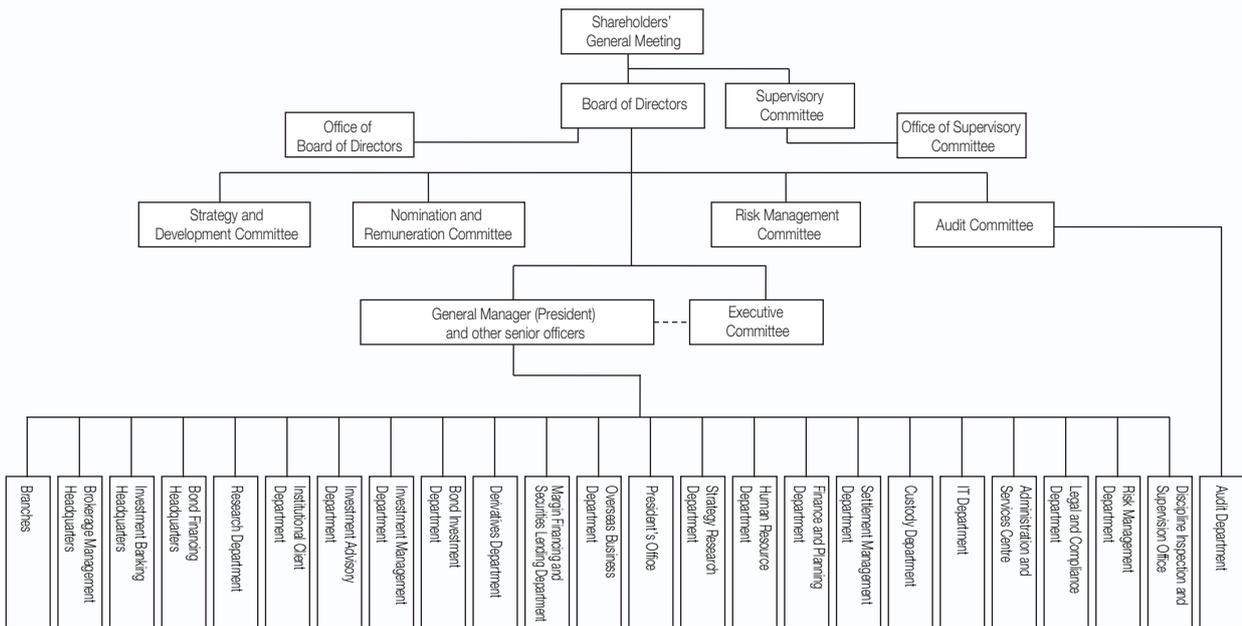
The Company has successfully listed its H shares on the Hong Kong Stock Exchange on 22 May 2013. Upon the completion of exercise of over-allotment option on 13 June 2013, there were 1,606,604,500 H Shares in issue, among which, 69,345,743 H Shares were sold by the National Council for Social Security Fund and the remaining 1,537,258,757 H Shares were new shares issued by the Company. The Company raised capital of HKD8.148 billion. The registered capital of the Company increased to RMB7.537 billion.



SECTION III COMPANY PROFILE

III. ORGANIZATIONAL STRUCTURE

In accordance with the requirements of the Company Law, the Securities Law, the Guidelines for the Internal Control of Securities Companies, the relevant regulations and rules of CSRC, the Listing Rules and provisions of the Article of Associations, the Company regulates its operations and constantly improves the operational mechanism and system construction of its general meeting, the Board of Directors, the Supervisory Committee and the management. The Company has established standardized and scientific governance structure, and set up an organizational structure that meets its needs of development. The organizational structure of the Company is set out as follows:





SECTION III COMPANY PROFILE

IV NUMBERS AND DISTRIBUTION OF SECURITIES BRANCHES

The Company has 330 securities branches, which are distributed in 31 provinces, autonomous regions and municipalities directly under the central government in the PRC. Among these branches, 63 are located in Guangdong Province, 45 in Zhejiang Province, 30 in Shanghai, 17 in Shanxi Province, 15 in Beijing, 15 in Jiangsu Province, 14 in Liaoning Province, 13 in Hubei Province, 11 in Shandong Province, 11 in Sichuan Province, 10 in Fujian Province, 10 in Anhui Province, 8 in Chongqing, 8 in Henan Province, 8 in Yunan Province, 7 in Hebei Province, 5 in Jiangxi Province, 5 in Hunan Province, 5 in Shaanxi Province, 4 in Tianjin, 4 in Heilongjiang Province, 3 in Qinghai Province, 3 in Inner Mongolia Autonomous Region, 3 in Guangxi Zhuang Autonomous Region, 3 in Jilin Province, 2 in Gansu Province, 2 in Hainan Province, 2 in Guizhou Province, 2 in Ningxia Hui Autonomous Region, 1 in Xinjiang Uygur Autonomous Region and 1 in Tibet Autonomous Region. The details of our securities branches are set out in the following table.

No.	Securities Branches	Address	Person In Charge
1	Beijing Financial Street Securities Branch	Floor 3-4 401-413, No. 111 Taiping Bridge Avenue, Xicheng District, Beijing	Zhao Hongliang
2	Beijing Wangjing Securities Branch	Floor 2, 12 Futong East Avenue, Chaoyang District, Beijing	Zhao Zhiquan
3	Beijing Majiapu East Road Securities Branch	South District, Floor 2, Wing Building, Tower B, Lihua Hotel, 71 Majiapu East Road, Fengtai District, Beijing	Ding Zefu
4	Beijing South Xueyuan Road Securities Branch	Floor 1-3, Building 2, 34 South Xueyuan Road, Haidian District, Beijing	Zhao Xinhua
5	Beijing Huangsi Avenue Securities Branch	Floor 1-2, Building 2, 21 Huangsi Avenue, Xicheng District, Beijing	Cao Yanxia
6	Beijing Guangqumen Avenue Securities Branch	Floor 7, 27 Guangqumen Avenue, Dongcheng District, Beijing	Xu Weifeng
7	Beijing Zhongguancun Avenue Securities Branch	03-3D Tower D, Building 1-4, 18th Yard (A), Zhongguancun South Avenue, Haidian District, Beijing	Yang Yan
8	Beijing Sun Palace Securities Branch	No.9, Floor 2, No. 2, Floor 1, Building 11, Xijayuan, Chaoyang District, Beijing	Ai Haifeng
9	Beijing Fucheng Avenue Securities Branch	Floor 1, 3, 4, Yindu Building, No.67, Fucheng Avenue, Haidian District, Beijing	Wang Haiyang
10	Beijing Chaoyangmen North Avenue Securities Branch	Floor 6, Tower B, 5th Square, No.5, Changyangmen North Avenue, Dongcheng District, Beijing	Wang Xiaojing
11	Beijing Jianguo Road Securities Branch	Room 308, Floor 3, Floor 1, North, Ruisai Building, 2 South Donghuan Road, Chaoyang District, Beijing	Dong Yingzhen



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
12	Beijing Xueqing Road Securities Branch	Room 701-702, 712-718, Floor 7, Jinma Hotel, No.38(A) Xueqing Road, Haidian District, Beijing	Yan Xiaolong
13	Beijing Fangzhuang South Avenue Securities Branch	Room 103, 2 Fangzhuang South Avenue, Fengtai District, Beijing	Wu Di
14	Beijing Yizhuang Rongjing East Avenue Securities Branch	Floor 4, Tower B, Building one, 3 Rongjing East Avenue, Beijing Economic-Technological Development Zone, Beijing	Wang Jinzhu
15	Beijing Hujialou Securities Branch	2/F, Building 6, North Xiangjun Lane A, Hujialou, Chaoyang District, Beijing	Ma Ming
16	Tianjin Gulou East Street Securities Branch	Floor 2, Building 16, Xinlongxuan, the cross of Chengxiang East Street and Gulou East Street, Nankai district, Tianjin	Chen Liansheng
17	Tianjin Kaihua Road Securities Branch	Floor 1, Huake Entrepreneurship Center, 3 Kaihua Road, Huayuan Industrial Park, Binhai High-Tech Industry Development Zone	Zhong Jihong
18	Tianjin Shengli Road Securities Branch	1-2-101, Ruihai Building, Northwest of intersection of Shengli Road and Jianguo Road, Hebei District, Tianjin	Li Gong
19	Tianjin Shengan Avenue Securities Branch*	No. 46 Shengan Avenue, Heping District, Tianjin	Peng Shoujun
20	Shijiazhuang Hongqi Street Securities Branch	No.98, Hongqi Street, Shijiazhuang City, Hebei Province	Zhao Yongwei
21	Langfang Yinhe North Street Securities Branch	No.106, Yinhe North Street, Langfang City, Hebei Province	Li Fanghui
22	Shijiazhuang Shengli North Street Securities Branch	Floor 1 and 2, Futian Building, 156 Shengli North Street, Shijiazhuang City, Hebei Province	Luo Feng
23	Xingtai Qinghe Securities Branch	No. 17, Changjiang East Street, Qinghe County, Xingtai City, Hebei Province	Liu Wei
24	Xingtai Yejin North Street Securities Branch	Shop 208, 209 on 2/F and Shop 109 on 1/F, Building 1, Jinyuan Apartments, 229 Yejin North Road, Qiaoxi District, Xingtai City, Hebei Province	Yu Baohua



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
25	Cangzhou Yong'an South Street Securities Branch	No. 1266, 7th Part, Yihewenyuan Sales Department, Jiefang West Road, Yunhe District, Cangzhou City, Hebei Province	Chen Hui
26	Qinhangdao Securities Branch	No. 181, Jianshe Avenue, Harbour District, Qinhangdao City, Hebei Province	Gu Xiaofeng
27	Taiyuan Yingze West Avenue Securities Branch	No.53, Yingze West Avenue, Taiyuan City, Shanxi Province	Zhao Songlin
28	Taiyuan Bingzhou South Avenue Securities Branch	No.1-2, 94 Qinxian North Avenue, Xiaodian District, Taiyuan City, Shanxi Province	Wang Wei
29	Taiyuan Taoyuan Securities Branch	No.16, Taoyuan North Avenue, Taiyuan City, Shanxi Province	Guo Jin
30	Linfen Jiefang East Road Securities Branch	No.2, Jiefang East Road, Linfen City	Yang Shuangmin
31	Houma Kuaibin Street Securities Branch	No.7, Kuaibin Street, Houma City, Shanxi Province (former Zhong Hang Building)	Wang Quanrui
32	Huozhou Kaiyuan Street Securities Branch	No.A3-6, Kaiyuanshengdian, Kaiyuan Street, Huozhou City, Shanxi Province	Dong Xinzheng
33	Yicheng Hongqi Street Securities Branch	Floor 2 and 3, Wenti Commercial Building, the East of the Government Square, Hongqi East Street, Yicheng County, Shanxi Province	Yin Yufei
34	Hongdong Chezhan Street Securities Branch	Chezhan Street, Hongdong County, Shanxi Province	Cui Jinhui
35	Jinzhong Yingbin Street Securities Branch	No.135, Yingbin Street, Yuci district, Jinzhong City, Shanxi Province	Ma Junming
36	Lingshi Xinjian Street Securities Branch	Room 101, Building 2, Lingbao International Garden, 147 Xinjian North Street, Lingshi County, Jinzhong City, Shanxi Province	Zhou Xianglian
37	Qixian Xinjian North Road Securities Branch	No.179, Xinjian North Street, Qi County, Jinzhong City, Shanxi Province (The North side of Library)	Xue Hongbin
38	Taigu Kangyuan Road Securities Branch	No.2, Building 20, Huaxing community, Kangyuan Road, Taigu County, Jinzhong City, Shanxi Province	Zhao Junhua



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
39	Jiexiu Zhenxing Street Securities Branch	The Adjacency of Yipinhuangniu, Zhenxing Street, Jiexiu City, Jinzhong City	Shi Jianhua
40	Jincheng Jingxi Road Securities Branch*	Room 6, Commercial and Residential Building of Ruiqi Real Estate Development Co., Ltd., East of Jingxi Road, Jincheng City, Shanxi Province	Zheng Jiguo
41	Xiyang Xiacheng Street Securities Branch*	Shop 24, Zhong Cheng Ya Ju, Xiacheng Street, Xiyang County, Jinzhong City, Shanxi Province	Wang Tao
42	Xiaoyi Fuqian Street Securities Branch*	Fuqian Street, Luliang Xiaoyi City, Shanxi Province (Shop 16, Xiang He Xin Yuan)	Fu Weihao
43	Yuncheng Yuxi Road Securities Branch*	Yuxi West Road, Yanhu District, Yuncheng City (No. 109, 1/F, Unit 5, Block 15, Yu Xi Yuan)	Wang Qiang
44	Hohhot Xinhua East Street Securities Branch	No.78, Xinhua East Street, Saihan District, Hohhot City, Inner Mongolia Autonomous Region	He Jing
45	Hohhot Daxue West Street Securities Branch	No.110, Daxue West Street, Hohhot City, Inner Mongolia Autonomous Region	Liu Xinyu
46	Baotou Wulan Road Securities Branch	No.6, 19 (A) Wulan Road, Kundulun District, Baotou City, Inner Mongolia Autonomous Region	Ren Wei
47	Shenyang Beizhan Road Securities Branch	59 Beizhan Road, Shenhe District, Shenyang City, Liaoning Province	Hu Yingxin
48	Shenyang Dabeiguan Street Securities Branch	Floor 1-2, Unit 2, 40 Dabeiguan Street, Dadong District, Shenyang City, Liaoning Province	Wang Fu
49	Shenyang Sanhao Street Securities Branch	No. 6, 7, 4A, Wenti Road, Heping District, Shenyang City	Liu Dayong
50	Shenyang Sanjing Street Securities Branch	1-3/F, No. 95, Sanjing Street, South of Shenhe District, Shenyang City	Wen Jiuyu
51	Shenyang Jianshe East Road Securities Branch	Door 3, No. 76, Jianshe East Road, Tiexi District, Shenyang City	Xu Shan
52	Shenyang Nan Shun Cheng Road Securities Branch*	No. 56, Shuncheng Road, South of Shenhe District, Shenyang City	Chen Jinyan



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
53	Shenyang Changbai West Road Securities Branch*	No. 36, Changbai West Road, Heping District, Shenyang City (36A, Changbai West Road)	Li Bin
54	Yingkou Shifu Road Securities Branch*	No. 2, Floor 1, Block A, Wealth Center Office, Block C, Wealth Plaza, 3 Shifu Road North, Zhanqian District, Yingkou City	Lin Mu
55	Fuxin Xinhua Road Securities Branch*	Door 74-15, Xinhua Road, Haizhou District, Fuxin City	Liang Xiaogang
56	Dalian Huanghe Road Securities Branch	Room B, C, D, Floor 5 of the Elevator, 620 Huanghe Road, Shahekou District, Dalian City	Guo Qing
57	Dalian Yan'an Road Securities Branch	No. 6, Yan'an Road, Zhongshan District, Dalian City	Wang Yansong
58	Dalian Renmin Road Securities Branch	Floor 3, Chengda Building, 71 Renmin Road, Zhongshan District, Dalian City	Zheng Yue
59	Dalian Xinkai Road Securities Branch	Zhujiang International Building, 99 Xinkai Road, Xigang District, Dalian City	Wang Hui bin
60	Zhuanghe Xiangyang Road Securities Branch*	No. 11, Floor 18#1, Changsheng Garden, No. 60 Section 2 of Xiangyang Road, Chengguan Street Finance Committee, Zhuanghe, Liaoning Province	Sun Chenrui
61	Changchun West Minzhu Street Securities Branch	No.1161, Chaoyang West Minzhu Street, Changchun City, Jilin Province	Zhao Yubo
62	Changchun Dongnanhu Road Securities Branch	Floor 2, Podium Building of Nanhu Holiday Multiple-use Building, 1999 Nanhu Road, Nanguan District, Changchun City, Jilin Province	Hao Chiping
63	Jilin Chongqing Street Securities Branch*	Outlet No. 033, Jilin Wealth Plaza, No. 1367 Chongqing Road, Changyi District, Jilin City	Wang Huanyu
64	Harbin West Tenth Street Securities Branch	No.19, West Tenth Street, Daoli District, Harbin City	Wang Ting
65	Harbin Zhongshan Road Securities Branch	No. 252, Zhongshan Road, Nangang District, Harbin City	Li Naichen
66	Daqing Dongfeng Road Securities Branch	No. 78, 80, Dongfeng Road, No. F-4 Shangfu Building, Hanchengmingyuan, Longfeng District, Daqing City	Zhang Hui



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
67	Jiamusi Baowei Road Securities Branch*	No. 98, Boawei Road, Qianjin District	Zhang Bin
68	Shanghai Changning District Zhenning Road Securities Branch	Room 202, 2/F, No. 525 Zhenning Road, Changning District, Shanghai	Li Gequan
69	Shanghai Pudong New District Yuanshen Road Securities Branch	15/F, No. 92 Yuanshen Road, Pudong New District, Shanghai	Shen Jianming
70	Shanghai Zhongyuan Road Securities Branch	No.188, Zhongyuan Road, Shanghai	Liu Dong
71	Shanghai Anye Road Securities Branch	No.124, Anye Road, Shanghai	Song Weiyan
72	Shanghai Lianxi Road Securities Branch	No.150, Lianxi Road, Shanghai	Huang Gang
73	Shanghai Yingkou Road Securities Branch	No. 99, Yingkou Road, Shanghai	Wang Yisheng
74	Shanghai Hongjing Road Securities Branch	Room 202, 185 Hongjing Road, Shanghai	Dai Linlong
75	Shanghai Yichuan Road Securities Branch	Floor 1, 2, 833 Yichuan Road, Shanghai	Huang Xuqing
76	Shanghai Shangnan Road Securities Branch	No. 1316, Shangnan Road, Pudong New District, Shanghai	Cheng Xiaoqi
77	Shanghai Gongkang Road Securities Branch	No. 328, Gongkang Road, Baoshan District, Shanghai	Jiao HongYan
78	Shanghai East Baoxing Road Securities Branch	Floor 12,13, 118 East Baoxing Road, Hongkou District, Shanghai	Liang Chunliang
79	Shanghai Wulian Road Securities Branch	No. 11, Wulian Road, Pudong New District, Shanghai	Zhang Xuehong
80	Shanghai Xinchang Road Securities Branch	Floor 2, 6, North, No.518, Xinchang Road, Huangpu Town, Shanghai	Yang Bin
81	Shanghai Dongfang Road Securities Branch	Floor 8, 989 Dongfang Road, Pudong New District, Shanghai	Wu Jie
82	Shanghai Zhaojiabang Road Securities Branch	Floor 2, 3, 186 Zhaojiabang Road, Shanghai	Yu Xiaofeng
83	Shanghai Dalian West Road Securities Branch	Room 1701, 1703, No.1, Lane 100, East Tiyuhui Road, 555 Dalian West Road, Shanghai	Li Xue
84	Shanghai Hengfeng Road Securities Branch	Room 201-1, Floor 2, 218 Hengfeng Road, Shanghai	Liu Kai
85	Shanghai East Daming Road Bund Securities Branch	Room A, Floor 2, 912 East Daming Road, Hongkou District, Shanghai	Chen Jianguang



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
86	Shanghai Xinyu Road Securities Branch	No. 205, Xinyu Road, Jiading District, Shanghai	Pan Yuhua
87	Shanghai Renmin Road Securities Branch	Floor 3, 757 Renmin Road, Huangpu Town, Shanghai	Qiu Peng
88	Shanghai Pudong South Road Securities Branch	Floor 1, 15, World Square, 855 Pudong South Road, Shanghai	Chen Aiping
89	Shanghai Zhongshan North Road Securities Branch	Room 401-406, 408-412, 2917 Zhongshan North Road, Putuo District, Shanghai	Luo Jianlin
90	Shanghai Caobao Road Securities Branch	Floor 4, 5, No. 3138, Caobao Road, Minhang District, Shanghai	Li Xinliang
91	Shanghai Yanan West Road Securities Branch	Floor 5, 889 Yanan West Road, Changning District, Shanghai	Shen Wenjie
92	Shanghai Qingpu District Mingzhu Road Securities Branch*	Room 106, No. 838 Mingzhu Road, Qingpu District, Shanghai	Zhang Huanlai
93	Shanghai Minhang District Chenxing Road Securities Branch*	Room 218, 2/F, Block 1, No. 2388 Chenxing Road, Minhang District, Shanghai	Jin Qibao
94	Shanghai Baoshan District Luxiang Road Securities Branch*	Room 101, 1/F, No. 2 Alley 111, Luxiang Road, Baoshan District, Shanghai	Xu Feng
95	Shanghai Putuo District Zhongjiang Road Securities Branch*	1/F, No. 20 Alley 118, Zhongjiang Road, Putuo District, Shanghai	Zhou Qun
96	Shanghai Pudong New District Jingao Road Securities Branch*	Room 108, No. 945, Jingao Road, Pudong New District, Shanghai	Huang Lei
97	Shanghai Pilot Free Trade Zone Jilong Road Securities Branch*	Room 1112, 1115, No. 6 Jilong Road, China (Shanghai) Pilot Free Trade Zone	Yu Meng
98	Nanjing Hongwu Road Securities Branch	Room 104, Room 203-207, Floor 2, Room 304-307, Floor 3, Hongwu Road, Qinhuai District, Nanjing City, Jiangsu Province	Zhang Jun
99	Nanjing Shanghai Road Securities Branch	No.145, Shanghai Road, Gulou District, Nanjing City, Jiangsu Province	Cao Anming
100	Nanjing Longpan Middle Road Securities Branch	Floor 2, Jincheng Science Building, 216 Longpan Middle Road, Baixia District, Nanjing City, Jiangsu Province	Hu Kaitao
101	Nanjing Jiangdong Middle Road Securities Branch	Room 301, No. 201, Room 301, No. 203, Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu Province	Wang Desheng



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
102	Nanjing Nanrui Road Securities Branch	Building 19, Wuyueyiyuan, 79 Nanrui Road, Gulou District, Nanjing City, Jiangsu Province	Liang Shu
103	Yangzhou Wenchang Middle Road Securities Branch	No. 561, Wenchang Middle Road, Yangzhou City, Jiangsu Province	Ji Chunlei
104	Suzhou Sanxiang Road Securities Branch	No. 718, Sanxiang Road, Suzhou City, Jiangsu Province	Qian Chun
105	Zhenjiang Huangshan South Road Securities Branch	Floor 11, 20 Huangshan South Road, Zhenjiang City, Jiangsu Province	Zhang Keming
106	Nanjing Jiangning Zhushan Road Securities Branch*	No. 136, Zhushan Road, Jiangning District, Nanjing City	Yang Weixue
107	Nanjing Gaochun Baota Road Securities Branch*	No.117, Baota Road, Chunxi Town, Gaochun District, Nanjing City	Ju Min
108	Nantong Gongnong Road Securities Branch*	Room 107, Jintang Building, No. 198 Gongnong Road, Nantong City	Ye Xiaoli
109	Changshu Haiyu North Road Securities Branch*	A-108, Hua Fu Shi Jia, No. 5 Hai Yu North Road, Changshu City	Wang Fuxing
110	Yancheng Yingbin South Road Securities Branch*	Room 102, Block 7, Northern District, Qianjiang Fangzhou Community, No. 126 Yingbin South Road, Yancheng City	Gao Lili
111	Wuxi Shengan West Road Securities Branch*	1-2/F, No. 534 Shengan West Road, Huishan District, Wuxi City	Liu Zhongxi
112	Jiangyin Hongqiao North Road Securities Branch*	No. 183-185, Hongqiao North Road, Jiangyin City	Chen Zheng
113	Hangzhou Qingchun Road Securities Branch	No. 38-1, Qingchun Road, Hangzhou City	Gao Yijun
114	Hangzhou Stadium Road Securities Branch	Floor 1, 3, 4, 102 Stadium Road, Hangzhou City	Chen Chuang
115	Hangzhou Shaoxing Road Securities Branch	Room 216-217, 303 Shaoxing Road, Hangzhou City	Wang Guang
116	Hangzhou Gudun Road Securities Branch	Room 401, Unit 3, Building 1, Yuyingfang, Qinqinjiayuan, Sandun county, Hangzhou City, Zhejiang Province	Sun Zhuo
117	Hangzhou Xintang Road Securities Branch	No. 13, Xintang Road, Hangzhou City, Zhejiang Province	Hu Jun



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
118	Jiande Xin'an Road Securities Branch	No.193, Xin'an Road, Xin'anjiang Street, Jiande City, Zhejiang Province	Wu Hao
119	Hangzhou Genshan West Road Securities Branch	Floor 1, 6-8, 220 Genshan West Road, Hangzhou City, Zhejiang Province	Wang Yueqian
120	Hangzhou Yuhang Qiushan Street Securities Branch	No. 626, Qiushan Street, Donghu Road, Yuhang District, Hangzhou City	Chen Lijun
121	Tonglu Fuchun Road Securities Branch	Floor 1, 7, 528 Fuchun Road, Tonglu County, Zhejiang Province	Chen Long
122	Shaoxing Securities Branch	No.146, Luxun Middle Road, Shaoxing City, Zhejiang Province	Xi Meijiao
123	Deqing Securities Branch	No. 251, Zhongxing South Road, Wukang County, Deqing Town, Zhejiang Province	Wu Tao
124	Huzhou Shiyuan Road Securities Branch	No. 883-885, Shiyuan Road, Nanxun County, Huzhou City, Zhejiang Province	Jin Huan
125	Shangyu Wangchong Road Securities Branch	Floor 1, 4, Jincheng Building, 578 Wangchong Road, Shangyu City, Zhejiang Province	Gong Xiaojun
126	Yiwu Chouzhou North Street Securities Branch	Floor 2-4, No. 661 to 663, Chouzhou, North Road, Yiwu City, Zhejiang Province	Shen Qun
127	Lanxi Sanjiang Street Securities Branch	No. 73, Sanjiang Road, Lanxi city, Zhejiang Province	Ni Zhifang
128	Lishui Securities Branch	No. 375, Dayang Road, Lishui city, Zhejiang Province	Shu Youming
129	Qingtian Yongjin Street Securities Branch	No. 2 to No.1, Yongjin Road, Qingtian County, Lishui city, Zhejiang Province	Yu Haigen
130	Longquan Xinhua Street Securities Branch	No. 30, Xinhua Road, Longquan city, Zhejiang Province	Yang Ye
131	Zhuchang North Street Securities Branch	No.1, North Road, Miaogao town, Zhuchang county, Zhejiang Province	Qiu Suhua
132	Qingyuan Mengzhou Securities Branch	No.160, Mengzhou Road, Songyuan Town, Qingyuan County, Zhejiang Province	Zhang Yong



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
133	Wenzhou Danan Street Securities Branch	No. 201, the 2nd Floor, Huadu Building, Danan Road, Lucheng District, Wenzhou city, Zhejiang Province	Peng Jie
134	Pingyang Renmin Street Securities Branch	The 1st and 6th Floor of No.158, Renmin Road, Kunyang Town, Pingyang County, Wenzhou City, Zhejiang Province	Zhuo Kehai
135	Cangnan Yucang Street Securities Branch	The 2nd Floor, Cangnan Hotel, No.118, Yucang Road, Lingxi Town, Cangnan County, Zhejiang Province	Lin Guanshu
136	Huzhou Securities Branch	No.128, Hongqi Road, Huzhou City, Zhejiang Province	Lou Daxin
137	Quzhou Hehua Middle Street Securities Branch	The 1st and 3rd Floor, No. 50, Hehua Middle Road, Quzhou City, Zhejiang Province	Xu Shenglin
138	Changxing County Qianxi Road Securities Branch	The 1st and 3rd Floor, No. 207, 209 and 211, Qianxi Road, Zhicheng Town, Changxing County	Yu Zhiwei
139	Jiaxing Securities Branch	No. 705, Qinjian Road, Jiaxing City, Zhejiang Province	Yang Jianming
140	Pinghu Jiefang West Street Securities Branch	The 1st and 2nd Floor, No. 62, Jiefang West Road, Danghu Street, Pinghu city, Zhejiang Province	Ma Yining
141	Jinhua Securities Branch	No. 393, Bayi South Road, Jinhua city, Zhejiang Province	Zhong Xiaojun
142	Taizhou Youdian Street Securities Branch	No.109-125, Youdian Road, Luqiao District, Taizhou City, Zhejiang Province	Yu Wei
143	Wenzhou Jinxiu Street Securities Branch	Room 104, Building 1, Ruikang Business Building, Jinxiu Road, Wenzhou City	Jin Fan
144	Fuyang Yingbin Road Securities Branch*	No. 47-5, Yingbin Road, Fuchun Street, Fuyang City	Yu Heguo
145	Zhoushan Qiandao Road Securities Branch*	1/F, Block A, Jianshe Building, No. 167 Qiandao Road, Lincheng Streets, Dinghai District, Zhoushan	Zhu Haijie
146	Linhai Duqiao Xiazhu Road Securities Branch*	No. 16, Xiazhu Road, Duqiao Town, Linhai City	Ren Liqing
147	Taizhou Yinquan Road Securities Branch*	No. 264-266, Yinquan Road, Nanyuan Community, Xicheng Street, Huangyan District, Taizhou City	Hu Yue



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No.	Securities Branches	Address	Person In Charge
148	Shaoxing Jinkeqiao Avenue Securities Branch*	No. 248, 250, Jinkeqiao Avenue, Keqiao Street, Keqiao District, Shaoxing City	Xu Jianguo
149	Chunan Xinan Avenue Securities Branch*	Floor 1, No. 49, Xinan Avenue, Qiandaohu Town, Chunan County	Xu Xinri
150	Hangzhou Tiancheng East Road Securities Branch*	No. 246-234, Tiancheng East Road, Hangzhou Economic and Technological Development Zone (Block 1, Shangsha Yongyu Building)	Li Jihua
151	Ningbo Daqing South Street Securities Branch	No. 6, Daqing South Road, Jiangbei District, Ningbo city	Teng Kezhi
152	Ningbo Jiefang South Street Securities Branch	No.15, Jiefang South Road, Haishu District, Ningbo city, Zhejiang Province	Wang Yunguo
153	Ningbo Cuibai Street Securities Branch	No. 416, Cuibai Road, Jiangbei District, Ningbo city	Liu Bo
154	Ningbo Dashani Street Securities Branch	Building Fumao, No. 88, Dashani Road, Haishu District, Ningbo City, Zhejiang Province	Shi Minwei
155	Ningbo Ningnan North Road Securities Branch*	No. 1049 Ningnan North Road, Zhonggong Temple Street, Yinzhou District, Ningbo City	Lin Changshan
156	Fenghua Yuelin Road Securities Branch*	No. 1-1, 1-2, Yuelin Road, Jinpin Street, Fenghua City	Ye Luozi
157	Yuyao Nanlei Road Securities Branch*	No. 1, Shinan East Road, Yuyao City	Xu Yan
158	Hefei Jincheng Securities Branch	No. 419, Changjiang Middle Road, Luyang District, Hefei City, Anhui Province	Lu Weizhe
159	Hefei Changjiang Middle Street Securities Branch	No. 57, Changjiang Middle Road, Hefei City, Anhui Province	Cheng Lesan
160	Ma'an Shan Securities Branch	No.18-1, Zhonggang First Village, Huashan Road, Manshan City, Anhui Province	Wang Gongman
161	Huangshan Xinyuan East Street Securities Branch	No.198, Xinyuan East Road, Tunxi District, Huangshan city, Anhui Province	Lu Wenbin
162	Hefei Tunxi Street Securities Branch	Fuguang Building, No. 239, Tunxi Road, Baohe District, Hefei City, Anhui Province	Tao Fei
163	Hefei Qimen Street Securities Branch	No. 1569, Qimen Road, Zhengwu New Street, Hefei City, Anhui Province	Kong Jun



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No.	Securities Branches	Address	Person In Charge
164	Wuhu Limin West Street Securities Branch	Taixin Business Center (Huarun Sugu Limin Shopping Mall), Yijiang District, Wuhu city, Anhui Province	Wang Wei
165	Bengbu Donghai Street Securities Branch	No. 5183 (Floor 1, East of Business Building, South of Zhanggongshan Park), Donghai Road, Bengbu City, Anhui Province	Zhang Hai
166	Anqing Yanjiang East Road Securities Branch*	Room 6-7, 1/F, Block 10, Yangguang Garden Phase 2, No. 18 Yanjiang East Road, Yingjiang District, Anqing City, Anhui Province (2 floors)	Ji Xiong
167	Huainan Guangchang Road Securities Branch*	Shop No. 116, 215, 216, Lucheng Garden, Plaza Road, Tianjiaan District, Huainan City, Anhui Province	Wang Tao
168	Fuzhou Securities Branch	Storefront 01, 2nd Floor and Storefront 12 and 13, 1st Floor, Building 1, Fuzhou Jiyou Square, No.39, Fuma Road, Gulou District, Fuzhou City, Fujian Province	Chen Xusheng
169	Fuzhou Dongshui Street Securities Branch	The 2nd to 3rd Floor, No. 55, Design Building Dongshui Road, Gulou District, Fuzhou City	Chen Haobo
170	Zhangzhou Shuixian Street Securities Branch	Room D3, Building D-E, Rongchang Square, Rongchang Garden, Shuixian Street, Longwen District, Zhangzhou City, Fujian Province	Lei Jintao
171	Fuzhou Zhongshan Street Securities Branch	Floor 4, Industrial Goods Transaction Centre Building, No. 23 Zhongshan Road, Gudong Street, Gulou District, Fuzhou City, Fujian Province	Zheng Yong
172	Quanzhou Nanjun Road Securities Branch*	No. C4-19, Nanjun North Road, Licheng District, Quanzhou City, Fujian Province	Wu Liangkai
173	Sanming Liedong Street Securities Branch*	Shop 6,7,8, 1/F, Block 362, Gan Long New Village, Meilie District, Sanming City	Li Lihua
174	Xiamen Meihu Street Securities Branch	No. 75-87, Meihu Road, Xiamen city	Zhou Lianyuan
175	Xiamen Huyuan Street Securities Branch	The 1-3 Floor, No. 6, Huyuan Road, Xiamen City	Huang Feilong
176	Xiamen Jiahe Street Securities Branch	The 5th Floor, Block C New Jingyuan Center, No. 25, Jiahe Road, Siming District, Xiamen city	Zeng Wenqing



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No.	Securities Branches	Address	Person In Charge
177	Xiamen Tongan Xiangping Securities Branch	No. 96-100, Xiangping East Road, Xiangping Street, Tongan District, Xiamen City	Wei Xiangfei
178	Nanchang Square East Street Securities Branch	No. 203, Square East Road, Nanchang City, Jiangxi Province	Yu Genping
179	Nanchang Yanjiang Middle Street Securities Branch	Floor 3, Huacai Building, No. 019, Yanjiang Middle Road, Nanchang City, Jiangxi Province	Shuang Nianqun
180	Ganzhou Kejia Street Securities Branch	No.11, Kejia Street, Zhanggong District, Ganzhou City, Jiangxi Province	Wan Yutian
181	Shangrao Daihu Road Securities Branch*	No.1-1, Block 2, No. 50 Daihu Road, Xinzhou District, Shangrao City, Jiangxi Province	Wang Jianhong
182	Nanchang Honguzhong Avenue Securities Branch*	Room 105, Storefront, Block 2, District 1, Wan Da Xing Cheng Phase 3, Honggutun New District, Nanchang City, Jiangxi Province	Xu Hong
183	Yantai Securities Branch	No.175, Xinanhe Road, Yantai City, Shandong Province	Zhang Huasheng
184	Weifang Fushou West Securities Branch	No. 83, Fuzhou West Road, Weicheng District City, Weifang City, Shandong Province	Zhong Jian
185	Zibo Linzi Street Securities Branch	No. 698, Linzi Street, Linzi District, Zibo City Shandong Province	Wu Tao
186	Jinan Jingqi Street Securities Branch	No. 83, Jingqi Road, Jinan City, Shandong Province	Wu Yunpeng
187	Weihai Tongyi Road Securities Branch*	No. 29-47, 49, Tongyi Road, Weihai City	Shao Renhang
188	Jining Guanghe Road Securities Branch*	Yinhe Building, No. 18 Guanghe Road, Jining City	Sun Bo
189	Dongying Fuqian Avenue Securities Branch*	No. 84 Fuqian Avenue, Dongying District	Che Xiaoyu
190	Linyi Yimeng Road Securities Branch*	Room 103, 203, 303, Building 22, Shifu Community, No. 108 Yimeng Road, Lanshan District, Linyi City (Opposite of Xizhi Hotel)	Hou Dawei
191	Qingdao Nanjing Road Securities Branch	No.100E, Nanjing Road, Shinan District, Qingdao City	Yu Jun



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No.	Securities Branches	Address	Person In Charge
192	Qingdao Xianggang West Road Securities Branch	No. 22, Xianggang West Road, Shinan District, Qingdao City	Liu Guoguang
193	Qingdao Development Zone Securities Branch*	No. 509-18, Lijiang East Road, Qingdao Economic and Technological Development Zone	Zou Haimiao
194	Zhengzhou Jiankang Street Securities Branch	No.168, Jiankang Road, Zhengzhou City, Henan Province	Mao Guoxing
195	Zhengzhou Longhai Street Securities Branch	Floor 4, No. 59, Longhai Road, Zhengzhou City, Henan Province	Yang Mujun
196	Zhengzhou Jingsan Street Securities Branch	No. 85, Jingsan North Road, Zhengzhou City, Henan Province	Wang Junzhao
197	Zhengzhou Nanyang Street Securities Branch	Attached No. 11, No. 301, Nanyang Road, Zhengzhou City, Henan Province	Chang Zhijun
198	Zhengzhou Shanhe Securities Branch	No. 39, Weiwu Road, Jinshui District, Zhengzhou City, Henan Province	Ma Chaoqun
199	Xuchang Xuji Avenue Securities Branch*	No. 589, Xuji Avenue, Weidu District, Xuchang City	Pan Haixia
200	Xinxiang Youyi Road Securities Branch*	Room 107, 1-2/F, Building 28, 103 Factory Residential Community, No. 1 Youyi Road, Xinxiang City	Wang Qingfeng
201	Luoyang Jingyuan Road Securities Branch*	108, Block 1, No. 99 Jingyuan Road, Xigong District, Luoyang City	Li Yang
202	Wuhan Aomen Street Securities Branch	No.123 (Aomen Yinzuo Phase 2), Aomen Road, Jiangnan District, Wuhan City, Hubei Province	Dong Lintao
203	Wuhan Hanyang Securities Branch	No. 75, Hanyang Yingwu Street, Wuhan City, Hubei Province	Hu Junlin
204	Wuhan Zhongnan Road Securities Branch	No.456 (New Era Business Center), Wuluo Road, Zhongnan Road, Wuchang District, Wuhan City, Hubei Province	Zhang Zhiqiang
205	Wuhan Huaqiao Securities Branch	Tianhui Building, No. 52-2, Jiefang Park Road, Wuhan City, Hubei Province	Lv Gang
206	Wuhan Jiyuqiao Securities Branch	Yuqiao New Building, No. 6 and 7 Annex Building, Jiyuqiao, Wuchang District, Wuhan City, Hubei Province	Zhang Qing
207	Wuhan Wuluo Street Securities Branch	No. 382, Wuluo Road, Wuhan City, Hubei Province	Zuo Gang



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No.	Securities Branches	Address	Person In Charge
208	Wuhan Hanyang Street Securities Branch	Floor 2, Jinlong Garden No. 11, No. 642, Hanyang Street, Wuhan City	Zhang Baohe
209	Wuhan Zhuankou Ningkang Street Securities Branch	No. 262-267, Shenlong Commercial Street, No. 69 Ningkang Road, Wuhan Economical and technical development Zone, Hubei City	Zeng Lilan
210	Yichang New Century Securities Branch	No. 21, Yunji Road, Yichang City, Hubei Province	Gong Aiming
211	Jingmen Securities Branch	No.118, Xiangshan Street, Jingmen City, Hubei Province	Wang Wei
212	Shayang Hanjin Street Securities Branch	No. 54, Hanjin Road, Shayang County, Hubei Province	Ye Jun
213	Xiangyang Securities Branch	No. 5, Jianshe Road, Fancheng District, Xiangyang City, Hubei Province	Yu Rongyan
214	Zaoyang Xiangyang Street Securities Branch	No.16, Xiangyang Road, Zaoyang city, Hubei Province	Yuan Guanghui
215	Changsha Furong Middle Street Securities Branch	No. 327, 2nd of Furong Middle Road, Changsha City, Hunan Province	Deng Likang
216	Loudi Yuetang Street Securities Branch	3rd Floor, Building E, Anshi Group, Anshi Square, Yuetang Street, Louxing District, Loudi City, Hunan Province	Han Hua
217	Changsha Jiefang Middle Road Securities Branch	5/F, Huaqiao Building, No. 18 Jiefang Central Road, Furong District, Changsha City	Hu Hao
218	Xiangtan Furong Central Road Securities Branch*	No. 0101004 Zhongyi International, No. 52 Furong Central Road, Baota Streets, Yuetang District, Xiangtan City	Feng Jun
219	Zhuzhou Tianyuan Huangshan Road Securities Branch*	Room 207, 107, Block 6, Hua Chen Yu Yuan, Huangshan Road, Tianyuan District, Zhuzhou City	Qu Yiping
220	Guangzhou Tianhe North Street Securities Branch	Part of the 1st, 2nd and 3rd Floor, Guanghua Building, No. 90-108, Tianhe North Road, Tianhe District, Guangzhou City, Guangdong Province	Li Kunxing
221	Guangzhou Dongfeng West Street Securities Branch	Room 101, 202, 502 and 504, Educational Academic Center Building A, Guangzhou Medical School, No.195, Dongfeng West Road, Yuexiu District, Guangzhou City	Zhang Haifang



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No.	Securities Branches	Address	Person In Charge
222	Guangzhou Zhongshan 2nd Street Securities Branch	0 Unit 1/F and 201-213 Unit 2/F, Dianxin Square, No. 18, Zhoangshan 2nd Road, Yuexiu District, Guangzhou City	Pan Xiang
223	Guangzhou Huanshi East Road Securities Branch	3/F, No. 336, Huanshi East Road, Yuexiu District, Guangzhou City	Xu Bier
224	Guangzhou Linjiang Street Securities Branch	District of Bihaiwan Business Annex Building D, No. 39, Linjiang Road, Zhujiang New City, Tianhe District, Guangzhou City	Rao Jie
225	Zhongshan Securities Branch	No. 52, Sunwendong East Road, Shiqi District, Zhongshan City, Guangdong Province	Ruan Lianghui
226	Zhongshan Guzhen Securities Branch	The 1st and 2nd Floor, No.17 and 18, Dengdu New Field C District, Sports Road, Guzhen Town, Zhongshan City, Guangdong Province	Kuang Luqian
227	Zhongshan Huangpu Xinfeng North Road Securities Branch	Shop 02, 03, 09, 10, 11, Block 3, Building 7 Lantian Jindi Garden, No. 63 Xinfeng North Road, Huangpu Town, Zhongshan City, Guangdong Province	Yang Xinsheng
228	Zhongshan Xiaolan Securities Branch	The 1st and 2nd Floor, No.118, Min'an Middle Road, Xiaolan Town, Zhongshan City, Guangdong Province	Wei Dan
229	Foshan Shunde Daliang Securities Branch	The 2nd Floor, Xijing Garden, No.10-11, Yunliang Road, Daliang Street Office, Shunde District, Shunde District, Foshan City	Tian Dongmei
230	Foshan Shunde Ronggui Securities Branch	No.19-26, Shoucengpu, Block C, Happiness Garden, Middle Guizhou Street, Happiness Neighborhood Committee, Ronggui Street Office, Shunde District, Foshan City, Guangdong Province	Shao Xinglu
231	Foshan Shunde Lecong Securities Branch	The 2nd to 4th Floor, Xinfeng Building, No. B33, Yuejin Road, Lecong Town, Shunde District, Foshan City, Guangdong Province	Huang Haining
232	Foshan Securities Branch	No. 2, Renmin West Road, Shancheng District, Foshan City, Guangdong Province	Wu Hui



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
233	Foshan Nanhai Guiping West Street Securities Branch	2nd Floor, Building D, Lujing Residence, Lujing District, No.2, Guicheng Guiping West Road, Nanhai District, Foshan City, Guangdong Province	Zheng Jincheng
234	Zhanjiang Haibin Street Securities Branch	The 1st and 2nd Floor, Longquanwan Business Building, No.61, South Haibin Street, Zhanjiang City, Guangdong Province	Lin Wen Qing
235	Huizhou Huisha Embankment Road Securities Branch	The 1st and 2nd Floor, "Kaixuan Attic", No. 6, Huisha Embankment Road, Huizhou City, Guangdong Province	Duan Wenguang
236	Zhuhai Jingshan Street Securities Branch	The 7th and 11th Floor, Tong Xin Building, No.173, Jingshan Avenue, Xiangzhou District, Zhuhai City, Guangdong Province	Miao Di
237	Dongguan Dongcheng Avenue Securities Branch	The 2nd Floor, Main Building of Jinze Garden, Dongcheng Avenue, Dongcheng District, Dongguan City	Zeng Jun
238	Shantou Songshan Road Securities Branch	No. 89, Songshan Road, Shantou, Guangdong Province	Wu Hong
239	Shantou Chenghai Securities Branch	The 1st Floor, Building B, Yaqian Market, Zhongshan South Road, Chenghai District, Shantou City, Guangdong Province	Chen Chengtong
240	Shantou Chaoyang Securities Branch	No. 36, Dongshan Street, Chaoyang District, Shantou City, Guangdong Province	Zheng Qiuming
241	Shantou Tianshan Street Securities Branch	The 1st to 4th Floor, Huaxing Building, No. 66, Tianshan Road, Shantou City	Huang Shaoyong
242	Shantou Hanjiang Street Securities Branch	No.1, Hanjiang Road, Shantou City, Guangdong Province	Ma Weiyi
243	Guangzhou Panyu South Street Securities Branch	No. 65, 301 and 302, South Road, Panyu District, Guangzhou City, Guangzhou Province	Wu Shuo
244	Jiangmen Donghai Street Securities Branch	Room 501 (Self-numbered: B510-B516, C500-C503), No. 48, Donghai Road, Jianghai East District, Jiangmen City, Guangdong Province	Yang Jie
245	Jieyang Wangjiang North Street Securities Branch	No.16, The 1st and 2nd Floor, Hemeiyuan Wangjiang North Road, Rongcheng District, Jieyang City, Guangdong Province	Yuan Songsheng



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
246	Zhanjiang Lianjiang Huanshi North Road Securities Branch	No. 66, Lianjiang Huanshi North Road, Zhanjiang City, Guangdong Province	Luo Yufeng
247	Zhaoqing Xinghu Avenue Securities Branch	East Store of No. 102 Store, 1st Floor, C5 Building, Hengyu Bay, No. 9, Xinghu Avenue, Zhaoqing City, Guangdong Province	Fan Zhiming
248	Guangzhou Guangzhou Avenue Central Securities Branch*	Room 2502, North Tower, No. 988 Guangzhou Avenue Central, Tianhe District, Guangzhou City (For office only)	Shi Nan
249	Zhongshan Sanxiang Jingguan Avenue Securities Branch*	Cart 48, Jing Guan Hao Ting, No. 2 Jingguan Avenue, Sanxiang Town, Zhongshan City	Li Xinrong
250	Foshan Nanzhuang Dijing North Road Securities Branch*	P1, 1/F, District 3, No. 16 Dijing North Road, Shichian Town, Foshan City	Liang Yusheng
251	Foshan Shunde Longjiang Donghua Road Securities Branch*	Shop 77, Bao Li Jia Yuan, No. 23 Donghua Road, Xixi Community Residence Committee, Longjiang Town, Shunde District, Foshan City	Chen Shaoyu
252	Zhongshan Cuiling Road Securities Branch*	Cart 17, 2/F, Block 1, Tian Qing Hui Fu, No. 2 Cuiling Road, Huoju Development Zone, Zhongshan City	Ye Shaowen
253	Zhanjiang Guanhai North Road Securities Branch*	House 21, 1/F, Block 2, 3, 4, 5, Zhanjiang Bin Hai Yuan, No. 1 Guanhai North, Chikan District, Zhanjiang City	Zhong Xiaoling
254	Dongguan Humen Avenue Securities Branch*	No. 12, Jinyue Court North, Block D, Huang Jin Zhou Gao Ke Building (Jin Se Jia Yuan), Humen Town, Dongguan City	Ning Ximing
255	Foshan Nanhai Guangyun Road Securities Branch*	Shop 32, 1/F, Yong Jing Court, Jiayi Garden, Guangyun Road, Dali Town, Nanhai District, Foshan City	Qi Xixia
256	Zhanjiang Minyou Road Securities Branch*	A05, 1/F, Shopping Centre, Zhanli Grand Apartments, No. 1,3 Minyou Road, Xiashan District, Zhanjiang City	Qiu Meiyong
257	Guangzhou Zencheng Licheng Street Securities Branch*	Room 1001, No. 20, Minle Road, Licheng Street, Zencheng, Guangzhou City	Wen Bin
258	Guangzhou Yuejiang Central Road Securities Branch*	Room 106, No. 686, Yuejiang Central Road, Haizhu District, Guangzhou City	Cheng Shixuan



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
259	Zhanjiang Leizhou Xihu Avenue Securities Branch*	Shop 103, Block C1, Long Jing Ming Ju, 99C Xihu Avenue, Leizhou City (inside the former Light Machinery Factory)	Li Qizhen
260	Guangzhou Fangcun Avenue West Securities Branch*	1/F, 2/F, No. 295 Fangcun Avenue West, Liwan District, Guangzhou City	Deng Qingcong
261	Guangzhou Guanhong Road Securities Branch*	Room 201-205, 207 and 208, 2/F, No. 12 Guanhong Road, Luogang District, Guangzhou City (For office only)	Long Ming
262	Guangzhou Airport Road Securities Branch*	Room 106A, No. 585 Airport Road, Baiyun District, Guangzhou City (For office only)	Dong Siyi
263	Meizhou Yanjiang West Road Securities Branch*	No. 32, Yanjiang West Road, Meizhou City, Guangzhou Province	Li Zhenxin
264	Qingyuan Lianjiang Road Securities Branch*	Cart 9, 10, 4/F, No.13 Commercial Building, Xincheng East Second District, Qingyuan City	Cai Yanfen
265	Guangzhou Huangpu East Road Securities Branch*	Room 606, 607, No. 268 Huangpu East Road, Huangpu District, Guangzhou City	Zhou Gumin
266	Chaozhou Chaofeng Road Securities Branch*	Shop 03, 1/F, Chen Zhongming Tower, South of Middle Chaofeng Road, Chaozhou City, Guangdong Province	Chen Zhihua
267	Foshan Shunde Outer Ring Road Securities Branch*	Shop 17, Block 6, Baoli Bund Garden, No. 2 Rong Gui Xiao Huang Pu Residents Committee Outer Ring Road, Shunde District, Foshan City	Chen Yuxiang
268	Guangzhou Qingyi Street Securities Branch*	Room 101, No. 1 Qingyi Street, Tianhe District, Guangzhou City	Guo Jianjing
269	Guangzhou Huadu Fenghuang North Road Securities Branch*	Shop 1-2, Fengshang Commercial Building, 10 Fenghuang North Road, Xinhua Street, Huadu District, Guangzhou City	Bi Yanhui
270	Foshan Shunde Junan Baian North Road Securities Branch*	Shop 40, Shang Shu Jun Ting, No. 20 Baian North Road, Junan Town, Shunde District, Foshan City	Chen Jie
271	Shenzhen Shennan Avenue Securities Branch	Unit 1701-01, Block A, Jingji 100 Building, No. 5016 Shennan East Road, Luohu District, Shenzhen City	Han Qi



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
272	Shenzhen First High-Tech New South Avenue Securities Branch	Room 301, No. 3 Annex Building, Science Development Institute of China, No. 009 First High-Tech New South Avenue, Nanshan District, Shenzhen	Tang Zhigang
273	Shenzhen Luohu Securities Branch	1301-1302 13/F and 1501-1506 15/F, East Financial Building, No. 2020, Dongmen Middle Road, Luohu District, Shenzhen	Shi Zhongyang
274	Shenzhen Haide 3rd Avenue Securities Branch	Unit 2907-2912, 29th Floor, West Hai'an Building, Haide 3rd Road, Nanshan District, Shenzhen City	Gong Dejun
275	Shenzhen Jingtian Securities Branch	2/F, Saigejingyuan Building, 17 West Jingtian Road, Futian District, Shenzhen City	Lin Yibin
276	Shenzhen Binhe Avenue Securities Branch	12/F, Guotong Building, 9023 Binhe Avenue, Futian District, Shenzhen City	Wang Kun
277	Shenzhen Fuhua First Road Securities Branch	2701, 2713-2720, 27/F, Zhongxin Business Building, 88 Fuhua 1st Road, Futian District, Shenzhen City	Hu Xuemei
278	Shenzhen Longgang Shenglong Road Securities Branch*	No. 102, Building 10, Shenglong Garden Phase 2, No. 2 Shenglong Road, Longcheng Street, Longgang District, Shenzhen City	Zhou Lijun
279	Shenzhen Longhua Renmin South Road Securities Branch*	Shop 37, Semi-basement, Block 1, Cang Long Yuan, Renmin South Road, Longhua Street, Longhua New District, Shenzhen City	Shen Dan
280	Shenzhen Pingshan Kengzi Xinfu Street Securities Branch*	302, No. 36 Xinfu Street, Kengzi Office, Pingshan New District, Shenzhen City	Liu Jianrong
281	Shenzhen OCT Securities Branch*	101D, Podium, Hubin Garden City, Overseas Chinese Town, Nanshan District, Shenzhen City	Yang Haoyuan
282	Shenzhen Longgang Huanan Avenue China South City Securities Branch*	Room 209-210, 2/F, South China Development Center, Inside South China International Industrial Raw Materials Town, Pinghu Street, Longgang District, Shenzhen City	Yin Xinmin
283	Nanning Yuan, Hunan Road Securities Branch	No.12-2 Yuanhu South Road, Nanning City, Guangxi Province	Wang Dongrong
284	Guilin Middle Zhongshan Road Securities Branch	8/F, South Tower, Bagui Building, 47 Middle Zhongshan Road, Xiufeng District, Guilin City Guangxi	Huang Jianhua



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
285	Liuzhou Youyi Road Securities Branch	Room 7-10, 5/F, Youyiguoji, 11th Building, No. 4 Youyi Road, Liuzhou City, Guangxi	Xiao Yu
286	Haikou Binhai Avenue Securities Branch	1&13/F, Qiongtai Building, 83 Binhai Avenue, Haikou City	Wen Yongchun
287	Sanya Jiefang 4th Road Securities Branch	2/F, West Wing, Orient Bay-View Hotel, 176 Jiefang 4th Road, Sanya City, Hainan Province	Chen Weihong
288	Chongqing Minzu Road Securities Branch	15/F, 101 Minzu Road, Yuzhong District, Chongqing City	Wei Qingkong
289	Chongqing Jiangnan Avenue Securities Branch	Room 1&2, 5/F, Chengshizhiguang Building, No.19 Jiangnan Avenue, Nanping Subdistrict, Nan'an District Chongqing City	Tang Hewen
290	Chongqing Zhujiang Road Securities Branch	22-1#, 22-7#, 22-8#, 22-9#, 1st Building, No. 48 Zhujiang Road, Yangjiaping, Jiulongpo District, Chongqing City	Cao Yi
291	Chongqing East Jianxin Road Securities Branch	2/F, Baiyexing Building, No. 3 East Jianxin Road, Jiangbei District, Chongqing City	Liu Yu
292	Chongqing Yinhua Road Securities Branch	1/F, Qinianyuecheng 7th Building, No. 166 Yinhua Road, Longshan Subdistrict, Yubei District, Chongqing City	Luo Bing
293	Chongqing Jiangjin Securities Branch	Unit 3-1 Block 1, Xiangrui Building, No. 518 Dingshan Road, Dingshan Subdistrict, Jiangjin District, Chongqing City	Liu Hengyan
294	Chongqing Shanan Street Securities Branch*	South Garden-5, Nankai Commercial Street, No. 1 Shanan Street, Shapingba District, Chongqing City	Zeng Yi
295	Chongqing Songqing Road Securities Branch*	No. 1-1-138, No. 18 Cuiyun Street, No. 1048 Songqing Road, Chunhui Road Streets, Dadukou District, Chongqing City	Liu Yu
296	Chengdu South Renmin Road Securities Branch	No. 86, Section 1, South Renmin Road, Qingyang District, Chengdu City	Zhang Lu
297	Chengdu North 2nd Huan Road Securities Branch	No.8, North Section 1, 2nd Huan Road, Chengdu City	Li Hui
298	Chengdu Chengfei Avenue Securities Branch	2/F, No. 123 Jingyi Road, Chengfei Avenue, Jingyi Road, Qingyang District, Chengdu City	Xu Ziqin



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
299	Chengdu Jianshe Road Securities Branch	No. 9 Jianshe Road, Chenghua District, Chengdu City	Zhang Zhiqiang
300	Chengdu North Kehua Road Securities Branch	No.139, North Kehua Road, Chengdu City, Sichuan Province	Wang Hong
301	Meishan Renshou Guangming Road Securities Branch*	No. 389, Section 2 of Guangming Road, Wenlin Town, Renshou County	Xu Cheng
302	Leshan Renmin South Road Securities Branch*	No. 210, No. 212 Renmin South Road, Shizhong District, Leshan City	Chen Jun
303	Bazhong Yuntai Street Securities Branch*	Shop 1-6, 1-7, Shizhongxing Complex, Jiangbei Avenue, Bazhong City, Sichuan Province	Lin Hai
304	Mianyang Yuejin Road Securities Branch*	No. 1-4, 5/F, Unit 3, Block 26, Changhong International, No. 6 Yuejin Road, Fucheng District, Mianyang City	Liu Xiaobin
305	Neijiang Yuxi Road Securities Branch*	No. 147, No. 149, No. 151, Yuxi Road, Shizhong District, Neijiang City, Sichuan Province	Lu Jun
306	Chengdu Shuangliu Yingchun Road Securities Branch*	No. 66, Section 4 of Yingchun Road, Dongsheng Street, Shuangliu County, Chengdu City, Sichuan Province	Chen Qiang
307	Guiyang Jinyang West Guanshan Road Securities Branch	A58, 1/F&-1/F, Tower B, Jinyang Qiantu Plaza, Jinyang New District, Guiyang	Luo Wei
308	Guiyang Xintian Avenue Securities Branch*	No. 7, 1/F, Block B1-B4, B6, District B, Zhongtian Garden Phase 3, No. 289, South section of Xintian Avenue, Yunyan District, Guiyang City	Luo Yunfei
309	Kunming West Dongfeng Road Securities Branch	9/F, Shunchengdongta Building, 11 West Dongfeng Road, Kunming City, Yunnan Province	Wei Yuhong
310	Kunming Baita Road Securities Branch	393 Baita Road, Kunming City, Yunnan Province	Chen Peng
311	Kunming Minhang Road Securities Branch	Unit 7-A, Tower A, Yunnan Chengtou Building, 400 Minhang Road, Guandu District, Kunming City	Xiao Peng
312	Yiliang Renmin Road Securities Branch	No. 69 Renmin Road, Yiliang County, Yunan Province	Guan Zhimeng
313	Chuxiong Lucheng South Road Securities Branch*	No. 44, Lucheng South Road, Chuxiong, Chuxiong Prefecture, Yunnan Province	Qi Wei



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
314	Hekou Fuan Road Securities Branch*	No. 3, Block 22, Beishan New District, Hekou County, Honghe Prefecture, Yunnan Province	Yang Shuangyi
315	Mojiang Huigui Avenue Securities Branch*	Shop D9, D10, Yintai Business Center, Huigui Avenue, Mojiang County, Puer, Yunnan Province	Zhang Xiao
316	Qujing Jiaotong Road Securities Branch*	No. 189, Jiaotong Road, Qilin District, Qujing City, Yunnan Province	Li Wanjiang
317	Xi'an East Youyi Road Securities Branch	No. 51, East Youyi Road, Xi'an, Shaanxi City	Liu Yuenian
318	Xi'an Heping Road Securities Branch	Jiateng Building, No. 112, Heping Road, Beilin District, Xi'an City	Wang Juan
319	Baoji Gaoxin Avenue Securities Branch*	No. 59, Gaoxin Avenue, Baoji City, Shaanxi	Zhao Liang
320	Xian Yannan Third Road Securities Branch*	Room 20101, Unit 2, Block 11, Qu Chi Fang, No. 89 Furong West Road, Qujiang New District, Xian	Li Jianghong
321	Weinan Chaoyang Street Securities Branch	No. 2, Chaoyang Street, Linwei District, Weinan City	Pan Yuan
322	Lanzhou Qingyang Road Securities Branch	No. 77, Qingyang Road, Chengguan District, Lanzhou, Gansu Province (3&4/F, Bikexin Building)	Liu Xiaoyong
323	Baiyin Renmin Road Securities Branch	No. 10 Renmin Road, Baiyin City, Gansu Province	Zhang Jun
324	Xining West Street Securities Branch	4/F, Xingwang Building, No. 2 West Street, Chengzhong District, Xining, Qinghai Province	Wang Xin
325	Golmud South Kunlun Road Securities Branch	1&2/F, Qinghai Golmud Hydropower Hotel Co., Ltd., No. 20, South Kunlun Road, Dongcheng District, Golmud, Qinghai Province	Wang Fang
326	Xining Changjiang Road Securities Branch	No. 106 Changjiang Road, Xining City, Qinghai Province	Feng Qing
327	Yinchuan West Jiefang Securities Branch	No. 126, West Jiefang Road, Xingqing District, Yinchuan City	Chen Shining
328	Shizuishan Chaoyang West Street Securities Branch*	No. 1, Chaoyang West Street, Shizuishan, Ningxia	Chen Guang



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
329	Urumqi North Jiefang Road Securities Branch	No. 90&112, North Jiefang Road, Tianshan District, Urumqi City	Kong Lingguo
330	Lhasa Chaoyang Road Securities Branch*	No. 2, Chaoyang Road, Taiyang Island, Lhasa City	Li Zexiao

* Securities branches marked with * are newly established in 2014.

V. SUBSIDIARIES AND BRANCHES

(i) As at the End of the Reporting Period, the Company has 4 subsidiaries.

Name	Address	Date of incorporation	Registered Capital	Legal Representative	Percentage of shareholding	Telephone	Note
Galaxy Futures	Room 306, 8/F, Sinochem Tower, A2 Fuxingmenwai Street, Xicheng District, Beijing	25 December 2006	RMB 1.2 billion	Yao Guang	83.32%	010-58363288	
Galaxy Capital	2/F, Tower C, 1st Building, 35 Finance Avenue, Xicheng District, Beijing	21 October 2009	RMB 1 billion	You Chun	100%	010-83571391	
Galaxy International Holdings	Unit 3501-07, 3513-14, 35/F, Cosco Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong	9 February 2011	HKD 1 billion	Liu Hongye	100%	(852) 36986888	In July 2014, the capital increased from HKD600 million to HKD1 billion.
Galaxy Jinhui	Unit 2701-3, 27/F, Inifinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong Room 607, Block C, International Enterprise Building, No. 35 Finance Avenue, Xicheng District, Beijing	25 April 2014	RMB 500 million	Yin Yanwu	100%	010-83571302	new wholly-owned subsidiary set up in April 2014



SECTION III COMPANY PROFILE

(ii) As at the End of the Reporting Period, the Company had 36 branches, details of which are as follows:

No.	Branches	Address	Person In Charge	Date of incorporation	Working Capital (RMB)	Telephone
1	Beijing Branch	414-416, 4/F, No. 111 Tai Ping Qiao Avenue, Xicheng District, Beijing	Zhao Hongliang	22 November 2011	5 million	010-58872777
2	Guangdong Branch	Unit 01-03, 25/F, North Tower, No. 988, Guangzhou Avenue Central, Tianhe District, Guangzhou	Chen Zhihui	22 November 2011	5 million	020-87559999
3	Hunan Branch	No. 327, Section 2, Middle Furong Road, Yuhua District, Changsha	Deng Likang	29 November 2011	5 million	0731-85533268
4	Shanghai Branch	Unit 04, 4/F, No. 99, Fucheng Road, Pudong New District, Shanghai	Jiang Yuesheng	29 November 2011	5 million	021-20252618
5	Zhejiang Branch	4/F, 5/F, No.102, Stadium Road, Hangzhou	Li Chaoyang	15 December 2011	5 million	0571-87048267
6	Shenzhen Branch	Unit 4301-02, Block A, Jingji 100 Building, No. 5016 Shennan East Road, Luohu District, Shenzhen	Zhang Qinghua	29 November 2011	5 million	0755-25890161
7	Tianjin Branch	Room 601-8, No. 3 Kaihua Road, Huayuan Industry Area, Tianjin	Zhong Jihong	3 May 2013	5 million	022-83830606
8	Henan Branch	No.168 Jiankang Road, Jinshui District, Zhengzhou	Wang Jiangbo	3 May 2013	5 million	0371-63830968
9	Qinghai Branch	No.106-26, Changjiang Road, Chengzhong District, Xining	Feng Qing	3 May 2013	5 million	0971-8261698
10	Ningbo Branch	7/F, No. 6 Daqing South Road, Jiangbei District, Ningbo	Teng Kezhi	3 May 2013	5 million	0574-87285929
11	Shanxi Branch	4/F, West Wing, Yingxi Building, No. 53 Yingze West Street, Wanbolin District, Taiyuan	Zhao Songlin	3 May 2013	5 million	0351-8610998
12	Yunnan Branch	9/F, Shunchengdongta Building, No.11 Dongfeng West Road, Wuhua District, Kunming, Yunnan	Wei Yuhong	3 May 2013	5 million	0871-3642016
13	Dalian Branch	B&C&D, 5/F, Elevator Building, No. 620 Huanghe Road, Shahekou District, Dalian	Guo Qing	3 May 2013	5 million	0411-82336777
14	Jiangsu Branch	Room 304, 3/F, Fuxinguoji Building, No. 359 Hongwu Road, Nanjing	Wang Desheng	3 May 2013	5 million	025-84265588



SECTION III COMPANY PROFILE

No.	Branches	Address	Person In Charge	Date of incorporation	Working Capital (RMB)	Telephone
15	Jilin Branch	Nanhu Road Comprehensive Building, No. 1999 Nanhu Road, Nangan District, Changchun	Hao Chiping	3 May 2013	5 million	0431-88581160
16	Inner Mongolia Branch	Huamenshijia, 78 East Xinhua Street, Saihan District, Hohhot, Inner Mongolia	Yao Jianxun	3 May 2013	5 million	0471-4955495
17	Chongqing Branch	15/F, No. 101 Minzu Road, Yuzhong District, Chongqing	Wei Qingkong	3 May 2013	5 million	023-88128899
18	Hubei Branch	Room One, 2/F, West Wing, New Times Business Center, No. 456 Wuluo Road, Wuchang District, Wuhan	Luo Xuekui	3 May 2013	5 million	027-87841700
19	Hebei Branch	No. 98 Hongqi Avenue, Zhuangqiaoxi District, Shijiazhuang	Zhao Yongwei	18 April 2013	5 million	0311-83996339
20	Xiamen Branch	West part, 2/F, No.18, Meirenxincun, Siming District, Xiamen	Zhou Lianyuan	3 May 2013	5 million	0592-2200246
21	Heilongjiang Branch	No. 252, Zhongshan Road, Nangang District, Harbin	Li Naichen	3 May 2013	5 million	0451-53905888
22	Liaoning Branch	Unit 17-3, No. 59 Beizhan Road, Shenhe District, Shenyang	Yuanbing	3 May 2013	5 million	024-23262577
23	Anhui Branch	No. 57 Changjiang Middle Road, Luyang District, Hefei	Cheng Lesan	3 May 2013	5 million	0551-2609765
24	Sichuan Branch	Room 401, 4/F, 1st Building, No. 9 Jianshe Road, Chenghua District, Chengdu	Zhang Zhiqiang	3 May 2013	5 million	028-84396896
25	Shandong Branch	No. 175 Xinanhe Road, Zhifu District, Yantai	Zhang Huasheng	3 May 2013	5 million	0535-6626318
26	Fujian Branch	No.1 Shop, 2/F, 1st Building, Fuzhou Jiyou Plaza, No. 39 Fuma Road, Shuibu Subdistrict, Gulou District, Fuzhou	Chen Xusheng	3 May 2013	5 million	0591-83337445
27	Jiangxi Branch	6/F, No. 203 East Guangchang Road, Nanchang	Yu Genping	3 May 2013	5 million	0791-86224095
28	Qingdao Branch	No. 100E, Nanjing Road, Shinan District, Qingdao	Yu Jun	3 May 2013	5 million	0532-82870566



SECTION III COMPANY PROFILE

No.	Branches	Address	Person In Charge	Date of incorporation	Working Capital (RMB)	Telephone
29	Shaanxi Branch	2/F, Commercial Building of China Railway Group, No. 51, East Youyi Road, Bellin District Xi'an	Liu Yuenian	15 May 2013	5 million	0971-8261688
30	Xinjiang Branch	No. 90, Jiankang Road, Jiefang North Road, Tianshan District, Urumqi, Xinjiang	Kong Lingguo	9 June 2014	5 million	0991-2313062
31	Hainan Branch	13/F, Qiongtai Building, No. 83 Binhai Avenue, Longhua District, Haikou, Hainan Province	Wen Yongchun	28 May 2014	5 million	0898-68500766
32	Gansu Branch	Room 308, 3/F, Bi Ke Xin Building, No. 77 Qingyang Road, Chengguan District, Lanzhou, Gansu Province	Ning Zhiyong	28 May 2014	5 million	0931-8861798
33	Ningxia Branch	No. 126, Jiefang West Street, Xingqing District, Yinchuan	Chen Shining	28 May 2014	5 million	0951-5046808
34	Guizhou Branch	A58 of Floor Semi-1, D348 of Floor 1, Block B, Jinyang Gantu Center Plaza, Guan Shan Hu District, Guiyang	Luo Wei	9 June 2014	5 million	0851-7973566
35	Guangxi Branch	3/F, No. 12-2, Yuanhu South Road, Qing Xiu District, Nanning	Wang Dongrong	5 June 2014	5 million	0771-5842031
36	Tibet Branch	No. 2, Chaoyang Road, Taiyang Island, Chengguan District, Lhasa, Tibet Autonomous Region	Tuo Kengge	9 June 2014	5 million	0891-6344023

Note: "Date of incorporation" was listed as the date when the permit for operation of securities business was first obtained.



SECTION IV SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

(i) Major accounting data and financial indicators for the past three years

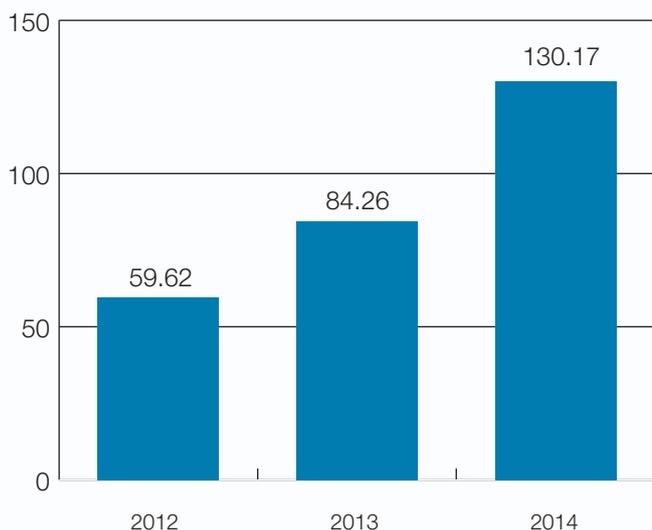
Items	2014	2013	Increase (%)	2012
Operating results (RMB'000)				
Revenue and other income	13,016,560	8,426,229	54.48%	5,961,560
Profit before income tax	5,003,299	2,893,018	72.94%	1,886,313
Profit for the period — attributable to shareholders of the Company	3,770,728	2,135,247	76.59%	1,419,779
Cash flow (used in) from operating activities	(21,905,946)	(7,635,624)	186.89%	3,183,705
Earnings per share (RMB per share)				
Basic earnings per share	0.50	0.31	61.29%	0.24
Diluted earnings per share	N/A	0.31	N/A	N/A
Profitability ratios				
Weighted average return on net assets	13.91%	9.69%	Increase by 4.22 percentage points	8.49%
<hr/>				
Items	As at 31 December 2014	As at 31 December 2013	Increase (%)	As at 31 December 2012
Scale indicator (RMB'000)				
Total assets	180,025,707	78,284,368	129.96%	64,295,585
Total liabilities	150,689,787	52,862,702	185.06%	46,736,737
Accounts payable to brokerage clients	78,407,509	36,451,282	115.10%	39,745,629
Equity attributable to shareholders of the Company	29,023,797	25,174,828	15.29%	17,429,859
Total share capital (in thousand shares)	7,537,259	7,537,259	0.00%	6,000,000
Net assets value per share attributable to shareholders of the Company (RMB per share)				
	3.85	3.34	15.27%	2.90
Gearing ratio (%)¹	71.13%	39.23%	Increase by 31.90 percentage points	28.48%

¹ Gearing ratio = (total liabilities—accounts payable to brokerage clients)/(total assets—accounts payable to brokerage clients)

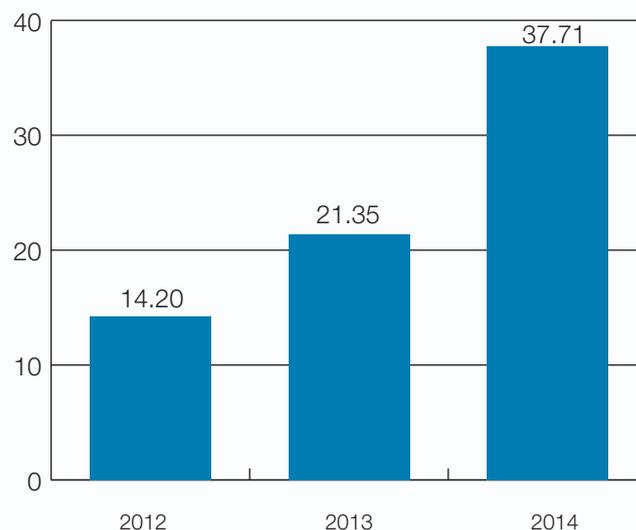


SECTION IV SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

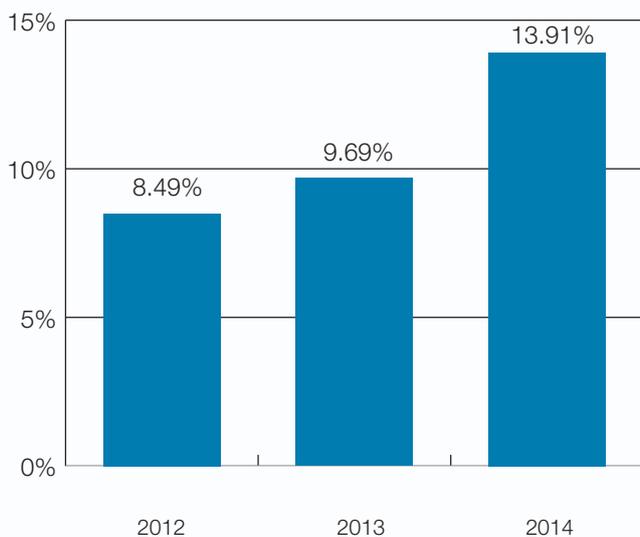
**Revenue and other income
(RMB in 100 million)**



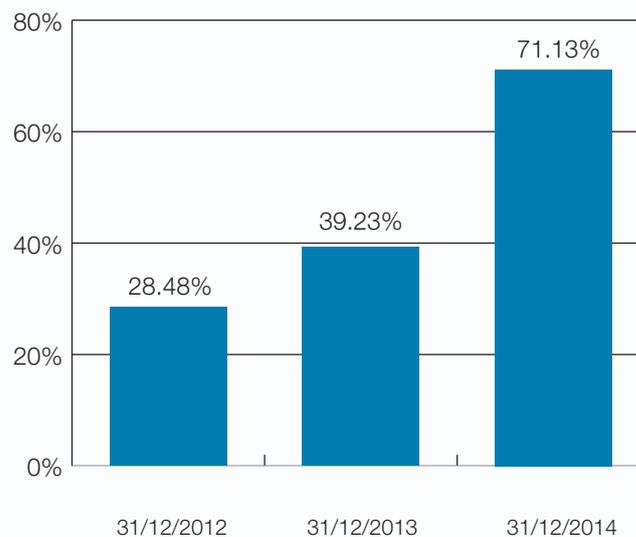
**Profit for the year – attributable to shareholders
of the Company
(RMB in 100 million)**



Weighted average return on net assets (%)



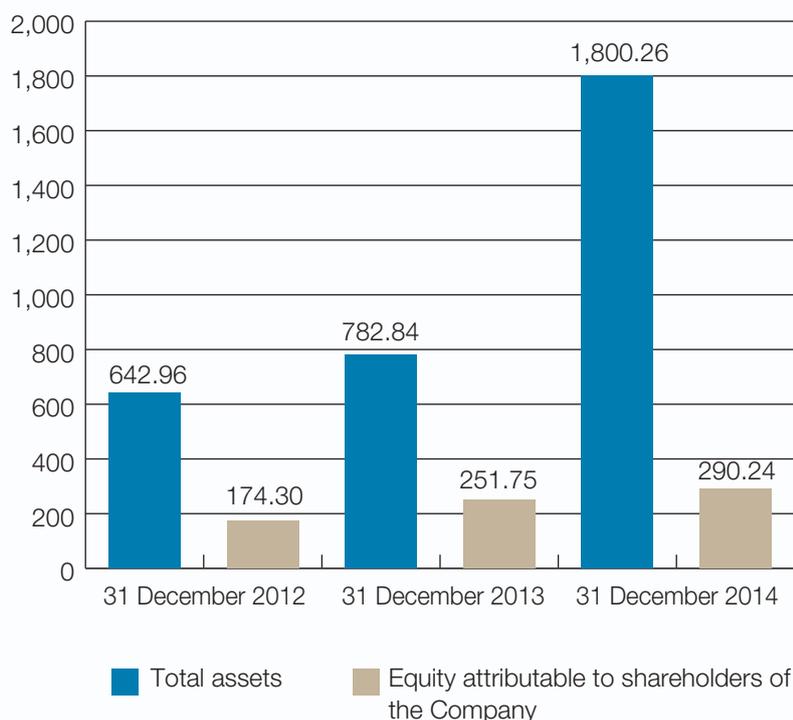
Gearing ratio (%)





SECTION IV SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

Scale indicator (RMB in 100 million)



(ii) Major accounting data and financial indicators for the past five years

Profit status (RMB in thousand)

	2014	2013	2012	2011	2010
Revenue and other income	13,016,560	8,426,229	5,961,560	6,431,039	8,460,182
Total expenses	8,013,606	5,532,877	4,075,247	4,170,061	4,569,555
Profit before income tax	5,003,299	2,893,018	1,886,313	2,260,978	3,890,627
Profit for the period — attributable to shareholders of the Company	3,770,728	2,135,247	1,419,779	1,578,130	2,777,016

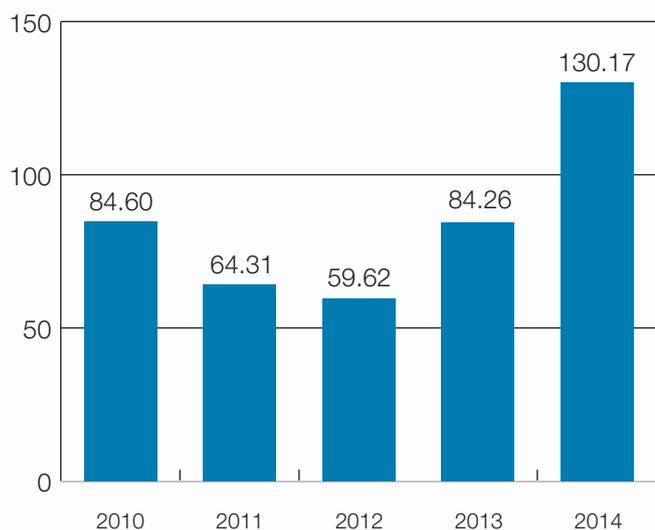
Condition of assets (RMB in thousand)

	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010
Total assets	180,025,707	78,284,368	64,295,585	59,214,735	94,264,529
Total liabilities	150,689,787	52,862,701	46,736,737	43,087,940	79,719,851
Accounts payable to brokerage clients	78,407,509	36,451,282	39,745,629	41,231,089	76,794,509
Equity attributable to shareholders of the Company	29,023,797	25,174,829	17,429,859	16,004,139	14,460,235
Total share capital	7,537,259	7,537,259	6,000,000	6,000,000	6,000,000

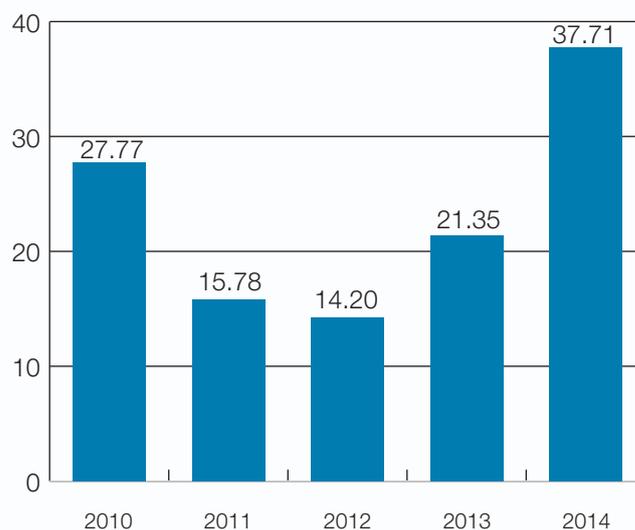


SECTION IV SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

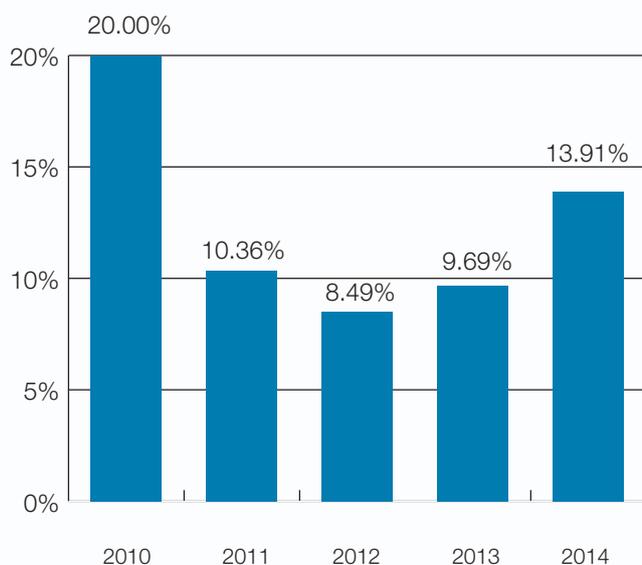
Revenue and other income
(RMB in 100 million)



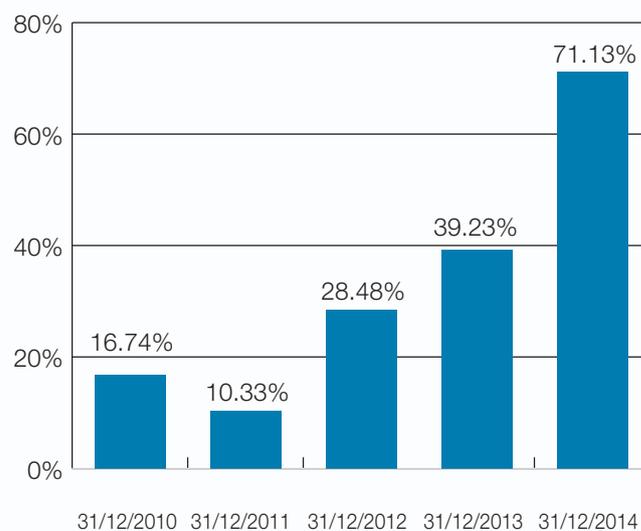
Profit for the year – attributable to shareholders of the Company
(RMB in 100 million)



Weighted average return on net assets (%)



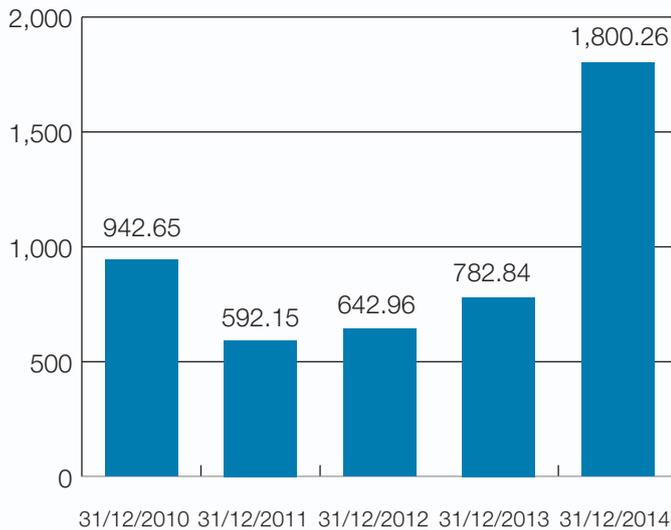
Gearing ratio (%)



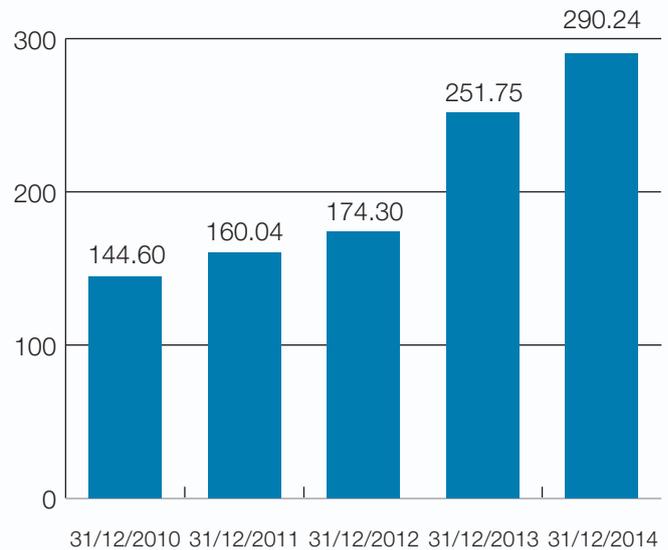


SECTION IV SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

Total assets
(RMB in 100 million)



Equity attributable to shareholders of the Company
(RMB in 100 million)



Key financial indicators

	2014	2013	2012	2011	2010
Basic earnings per share	0.50	0.31	0.24	0.26	0.46
Diluted earnings per share	N/A	0.31	N/A	N/A	N/A
Weighted average return on net assets	13.91%	9.69%	8.49%	10.36%	20.00%
Gearing ratio (%) ¹	71.13%	39.23%	28.48%	10.33%	16.74%
Net assets value per share attributable to shareholders of the Company (RMB per share)	3.85	3.34	2.90	2.67	2.41

¹ Gearing ratio = (total liabilities – accounts payable to brokerage clients) / (total assets – accounts payable to brokerage clients)



SECTION IV SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

II. DIFFERENCES OF ACCOUNTING DATA UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

There is no difference between the net profits for 2014 and 2013, the net assets as of 31 December 2014 and 31 December 2013 included in the consolidated financial statements of the Group prepared in accordance with IFRSs and those items for and as of the same periods included in the consolidated financial statements of the Group prepared in accordance with PRC GAAP.

III. NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS

The net capital of the Company as at 31 December 2014 was RMB25.462 billion, representing a 24.32% increase as compared with RMB20.481 billion as at 31 December 2013. During the Reporting Period, each kind of risk control indicators including net capital met regulatory requirements.

Items	RMB	
	2014	2013
Net capital	25,462,313,021.94	20,481,446,168.26
Net assets	28,794,892,185.66	25,039,073,794.83
Total Risk Capital Reserves	3,303,616,241.43	2,253,220,314.41
Net capital/total Risk Capital Reserves	770.74%	908.99%
Net capital/net assets	88.43%	81.80%
Net capital/liabilities	36.44%	133.37%
Net assets/liabilities	41.21%	163.04%
Proprietary equity securities and securities derivatives/net capital	12.95%	12.73%
Proprietary fixed income securities/net capital	57.27%	67.52%



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

I. ECONOMIC ENVIRONMENT AND MARKET CONDITIONS DURING THE REPORTING PERIOD

In 2014, the global economy remained fragmented. The US economic recovery was strong, which continuously exceeded market expectations. However, other economies still relied on loose monetary policies to resist recession. The European economy lingered at a low level with a rising risk of deflation. Japan had difficulty in making progress with its structural reform, intensifying the difficulty in maintaining economic growth. Emerging economies had greater pressure of capital outflow and currency depreciation as the US dollar strengthened. The Chinese economy entered a new era. Although its growth rate slowed down, the structure was more healthy.

In 2014, the performance of the Chinese capital market was outstanding. It was a bull market for both stock and bond. The stock market bid farewell to the bear market which lasted for years and the prospect of bonds was also very positive. On the stock market, the SHCI rose significantly by 52.87%, ranking the first among all global major stock markets in terms of growth rate. In terms of turnover, the trading turnover of A Shares in 2014 was RMB73.77 trillion. The average trading turnover in a single day increased substantially by 54.65% year-on-year. For equity financing, IPO resumed in 2014. Listed companies actually raised RMB771.81 billion through IPO, additional offer and placing, representing a significant increase of 89.44% year-on-year. For margin financing and securities lending, the balance of margin financing and securities lending was RMB 1,025.656 billion as at the End of the Reporting Period, which increased significantly by 195.98% as compared to 2013. For the bond market, the yield of 10-year fixed rate treasury bond in the inter-bank bond market dropped substantially by 92.99 bps, closing at 3.6219%. In 2014, the number of newly issued bonds was 6,878, with the principal amounts of RMB12.16 trillion. As at the End of the Reporting Period, there were a total of 11,146 bonds in issue with balances of RMB35.86 trillion, representing a year-on-year increase of 53.21% and 19.61%, respectively.

II. ANALYSIS OF MAJOR BUSINESS

During the Reporting Period, the Group promoted a comprehensive business transformation and overall recorded favourable operating results. The Group's brokerage business achieved initial success in transforming into an integrated financial platform. Its margin financing and securities lending business grew rapidly. The research and institutional sales and trading business has been in the first tier of the industry for four consecutive years. The transformation of equity financing business made significant achievements. The Company was getting back to the first tier and actively planned for innovative businesses such as the New OTC Board, assets securitization, merger and acquisition and preference shares. The Group strived to maintain its traditional leading position in the corporate bond underwriting business by participating in innovative activities including the increase in credit for small and micro enterprises and assets securitization. The Group also established asset management subsidiaries with their scale and revenue continuing to grow. A stable profit model has been formed for the overseas business. Besides, innovative businesses closely followed the trend of the industry and the Group strived to obtain qualifications of such innovative businesses so as to launch numerous new products in the industry.

(i) Brokerage, sales and trading business

1. Securities brokerage

During the Reporting Period, the revenue and other income from the securities brokerage business of the Group amounted to RMB9.392 billion, representing an increase of 52.12% as compared to 2013.

Market environment

In 2014, the overall trading in the stock market was active. The highest daily trading turnover of A Shares made a record high, reaching RMB1.26 trillion. The annual trading volume and the daily average trading turnover of stock and funds increased substantially from 2013. Driven by Internet finance, competition in the industry intensified. In the first half of 2014, the overall level of commission of the industry dropped rapidly but gradually stabilized in the second half of the year.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Operation initiatives and results

The Company actively responded to the increasingly fierce market competition and strived to maintain its market share. During the Reporting Period, our net revenue of securities brokerage business ranked the third in the industry. The trading turnover of stocks and funds amounted to RMB7.71 trillion with a Market Share of 5.08%, ranking the third in the industry. As at the End of the Reporting Period, the Company had a total of 5,933,800 clients. The market value of securities in our accounts amounted to RMB2.57 trillion with a Market Share of 6.34%, ranking the second in the industry.

The Company actively promoted business transformation, fully explored the values of existing clients and constantly improved service approach. During the Reporting Period, the Company made adjustments to its organizational structure based on client orientation by establishing the wealth management department, retail client department and internet finance department to serve high-end, mid-end and low-end clients. The Company completed the construction of function modules of the MOT (Moment of Truth, the critical moment of customer service) system and promoted for its use, thus enhancing customer service capability in a practical way. The Company provided system support such as APAMA (Progress Apama, calculation transaction platform) and VIP passage for high-end clients and rendered the wealth management services such as market value management for clients.

The Company actively promoted the sale of financial products to increase customer satisfaction and stickiness. During the Reporting Period, the financial product distribution of the Company amounted to RMB29.3 billion; the daily average inventory of cash products amounted to RMB18.7 billion; the total size of inventory of financial products reached RMB89.874 billion.

Besides, the Company constructed a prime broker integrated service platform with PB business (Prime Broker, prime brokerage business) as its core to provide comprehensive financial services including trading brokerage, custodian and settlement, margin financing and securities lending, securities lending and tax revenue optimization for institutional clients such as hedge funds. The Company strived to improve its sales channels, optimized its branch network and vigorously promoted online account opening. The Company actively participated in the internet finance business and became the first batch of internet-based pilot brokers, establishing an online mall based on the innovative account system. The Company expanded businesses with synergy, making its branches become the contact points and windows for businesses of the Company.

Item	2014	2013	Increase/ Decrease
Stocks and funds trading turnover (RMB in 100 million)	77,113.75	49,300.17	56.42%
Agency sales of financial products (RMB in 100 million)	292.8	84	248.57%
Daily average inventory of cash products (RMB in 100 million)	187.3	132.6	41.25%
Total size of inventory of financial products (RMB in 100 million)	898.74	537.48	67.21%

Item	As at 31 December 2014	As at 31 December 2013	Increase/ Decrease
Number of clients (in 10 thousand)	593.38	564.75	7.62%
Market value of securities in the accounts (RMB in trillion)	2.57	1.68	39.67%

Source: Internal statistics of the Company



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

The Company developed its margin financing and securities lending business by focusing on the four key approaches of “strengthening services, increasing efficiency, seeking for innovation and controlling risks”. Firstly, the Company established an integrated service system for clients of margin financing and securities lending business to provide service and support for branches, promote the transformation of client structure of the margin financing and securities lending to a high net-worth client structure and improve its service level. Secondly, the Company upgraded and transferred its business systems and procedures to increase the efficiency of business and reduce operation costs. Thirdly, the Company focused on intensifying the business innovation for re-sale and repurchase of margin financing and securities lending income rights, created new products in the margin financing and securities lending business and self-developed the margin financing and securities lending service platform to promote business innovation. Fourthly, the Company established the credit rating model, model of conversion rate of guaranteed securities, model of filtering high-risk stocks and model of risk limit indicators to prevent and control risks in the margin financing and securities lending business on a voluntary basis. During the Reporting Period, no significant risk events and distressed debts occurred in the margin financing and securities lending business of the Company.

As at the End of the Reporting Period, the balance of margin financing and securities lending of the Company was RMB 60.319 billion, representing an increase of 239% as compared to 2013. The Market Share of the balance of margin financing and securities lending was 5.88%, ranking the fourth in the industry. The number of credit accounts was 227,700, which increased by 207% compared to the previous year. The Market Share of newly opened accounts was 7.57%, ranking the first in the industry. During the Reporting Period, the trading turnover of stocks and funds for credit accounts of the Company was RMB2.1 trillion. The Market Share of financing transactions was 6.29%, ranking the second in the industry. The Company was awarded the “Best Broker of the Margin Financing and Securities Lending in China in 2014” in the selection activity of the “Best Wealth Management Institutions in China in 2014” organized by the Securities Times.

Item	As at 31 December 2014	As at 31 December 2013	Increase/ Decrease
Balance of margin financing and securities lending (RMB in 100 million)	603.19	177.95	238.97%
Number of credit account (account)	227,746	74,176	207.03%

Item	2014	2013	Increase/ Decrease
Trading turnover of stocks and funds for credit account (RMB in 100 million)	20,945.88	7,242.19	189.22%
Market Share of financing transaction (%)	6.29%	–	–

Source: Internal statistics of the Company



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

The research and institutional sales and trading business of the Company developed steadily. The Company ranked the fifth in the “Most Influential Research Institution” by New Money in 2014 in the list of selling research institutions. The Company co-operated with authoritative organizations such as the National Bureau of Statistics and China Institute for Reform and Development (Hainan) to hold summit forum regularly, thus creating a favorable market influence. The Company constantly enriched its research service in the fund business, obtained the “Qualification for Custody of Securities Investment Fund” and co-operated with large public fund companies in custodian business. Meanwhile, the QFII business of the Company focused on business innovation and cross sales, which accumulated project supply enterprises and suppliers of overseas capital. As at the End of the Reporting Period, there were 14 QFII institutional clients trading online. Besides, the Company launched services of the insurance business orderly. As at the End of the Reporting Period, such services covered 22 insurance asset management companies, asset management departments of 28 insurance companies and 4 insurance group clients.

Prospects for 2015

In 2015, the securities brokerage business of the Company will continue to focus on its brokerage, sales and trading business strategy for the purpose of further improving the system of sales and trading business. By seizing the opportunity of expanding clientele, the Company will increase its input in giving full support to the account opening business. It will devote greater efforts in the innovation of internet finance and gradually plan for an internet investment and financing platform. The Company will expand the wealth management product line in order to improve the system and functions of wealth management accounts. The Company will actively promote businesses such as cross-border investment and financing, options of individual stock and securitization of assets to increase its sources of profit.

In the margin financing and securities lending business, the Company will, subject to the good management of risks on a voluntary basis, continue to adopt effective measures to encourage branches to fully explore and expand clientele of margin financing and securities lending. It will strengthen strategic services for clients of margin financing and securities lending to seek future opportunities for creating products in the following key aspects: expanding the scope of stock financing collateral, cross-market investment services, cross-border investment services, market value management, and sources of securities lending, and will continue to reinforce the establishment of business system and the optimization of procedures in order to enhance efficiency of business operation.

In the research business, the Company will further accelerate the transformation of mechanism in 2015 and take full advantage of market opportunities to achieve sustainable development of the research business. For institutional sales and trading, the Company will vigorously participate in and expand clientele of private equity, RQFII and fund subsidiary businesses, and look for new business co-operation models, thereby increasing the level of diversified income.

2. Futures brokerage

Market environment

There has been continuous innovative development of system, concept, product type and business model in the Chinese futures market. Meanwhile, the industry concentration rises steadily, and the polarization is more obvious. The incremental profit in the futures industry will mainly come from innovative businesses. The major risks faced by futures companies will turn to market risks from operational risks.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Operation initiatives and results

On the basis of reinforcing the brokerage business, Galaxy Futures actively planned for the development of innovative businesses in order to expand new profit model and sources of income. In terms of traditional business, Galaxy Futures strengthened the creation of value delivery chain and continued to optimize the layout of sales network in a bid to fully enhance the quality of customer services. In terms of innovative businesses, Galaxy Futures strengthened the construction of a value creation platform by establishing Galaxy Derivatives (which obtained its business license for legal person on 29 April 2014 and was registered in Shanghai) to develop risk management business. Galaxy Futures actively developed the asset management business and devoted great efforts in the preparation of option market-making business and the development of overseas business. During the Reporting Period, the revenue and other income from Galaxy Futures amounted to RMB684 million, representing an increase of 9.69% as compared with 2013; daily average interest of futures brokerage customers amounted to RMB9.238 billion; the trading volume and turnover of the futures brokerage business amounted to 69 million and RMB8.00 trillion calculated as one side of a trade only; the number of branches increased from 24 to 28; the rating of Galaxy Futures increased from A to AA in the classification and evaluation of securities companies by the CSRC.

Item	2014	2013	Increase/ Decrease
Daily average interest of customers (RMB in 100 million)	92.38	73.71	25.33%
Trading volume (in 100 million)	0.69	0.56	23.21%
Trading turnover (RMB in trillion)	8.00	7.83	2.17%

Source: Internal statistics of the Company

Prospects for 2015

In 2015, Galaxy Futures will strive to maintain the continuous growth in scale through the upgrade and reinforcement measures of traditional business. On one hand, through the continuous expansion of scale, Galaxy Futures will achieve the effect of accumulating resources, thereby achieving the strategic integration with the value creation platform. On the other hand, Galaxy Futures will inject more resources for creating the value creation platform to actively explore the model through which the businesses of risk management subsidiaries, asset management and options market making serve the real economic development.

3. Proprietary trading and other securities trading services

During the Reporting Period, the revenue and other income from the proprietary trading and other securities trading services of the Group amounted to RMB1,402 million, representing an increase of 70.24% as compared to 2013.

Market environment

In 2014, the overall performance of the Chinese capital market was relatively good. The stock market entered into a bull run. The SHCI made a turnaround from the gloom over the past few years, breaking through the level of 3,200 points. The operational environment of the bond market was tight first and then relaxed, resulting in the situation where the supply of capital was first suppressed and then relaxed and bringing about the bull market that exceeded market expectation.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Operation initiatives and results

(1) *Equity investment*

The Company has consistently maintained a clear operational approach for its equity investment business, with the focus on participating in the placement of shares and IPO of listed companies so as to be in line with the investment business of secondary market. As at the End of the Reporting Period, compared with similar funds, the Company ranked the 8th among all 73 stock-inclined funds in the market in terms of operating results, making the top 1/3 for the 3rd consecutive years.

(2) *Bond investment*

Through measures such as setting up a liquidity warning mechanism, adjustment of quotation, increasing the proportion of long-term categories and timely repurchase and lending, the Company controlled the maximum fluctuation in a single day of the dealer-quoted bond repurchase business (the product “Daily Profits” (“天天利”)) at around 10% during the IPO period, overcoming several challenges of liquidity. As at the End of the Reporting Period, the size of dealer-quoted bond repurchase business (the product “Daily Profits” (“天天利”)) increased to RMB8 billion. The number of investors increased to 274,000, ranking the first in the industry.

(3) *Derivatives investment*

The Company steadily expanded the scale of securities-based lending transaction business (the product “Jin Shi Yu” (“金時雨”)) and dealer-quoted securities repurchase business (the product “Xin Shi Yu” (“鑫時雨”)). It first launched small-amount standardized dealer-quoted securities repurchase (“Xin Yi Yu” (“鑫易雨”)) and the standardized IPO dealer-quoted securities repurchase (“Jin Xin Yu” (“鑫新雨”)) in the industry specifically for both exchange-traded transactions and IPO. The plan of transformation and upgrade of the pledged quotation repurchase business (the product “Jin Zhi Lai” (“金自來”)) passed the simulation test organized by the SZSE in December 2014.

Prospects for 2015

For the equity investment business, the Company will devote more effort in participating in the non-public issue of listed companies, IPO, secondary market investment and quantitative transaction in order to make timely expansion in category and scope of investment. For the bond investment business, the Company will strengthen credit and debt research ratings and the credit risk management of “Daily Profits” (“天天利”), and seize the opportunity of investing in convertible bonds to expand the business scale of conserving value and profiting from treasury bond futures in a bid to get the opportunity to launch an interest rate swap business. In terms of the derivative investment business, the Company will expand into the financing business by actively promoting the holding of collaterals for the pledged quotation repurchase business (the product “Jin Zhi Lai” (“金自來”)) and the issuance of products so as to develop innovative products and businesses such as OTC options, market making for options of individual stock.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Investment banking business

During the Reporting Period, the revenue and other income of the Group from investment banking business amounted to RMB1,026 million, representing an increase of 149.41% as compared to 2013.

1. Equity financing and financial advisory

Market environment

In 2014, as IPO resumed and the secondary market picked up, the size of equity financing gradually recovered. According to the CSRC's monthly statistics of securities market, the total amount raised in equity financing market amounted to RMB485.643 billion in 2014, representing an increase of 73.27% as compared with RMB280.276 billion in 2013. However, it has not yet resumed to the record high of RMB507.307 billion in 2011.

Operation initiatives and results

Based on the analysis made on the development trend of the investment banking industry, the Company further increased the expansion and pipeline of traditional equity IPO and refinancing business. It increased the effort in expanding the merger and acquisition and restructuring business and explored innovation in transaction and profit model. The Company established an online market linked development system for the New OTC Board business in order to build the entire operational chain and structure of OTC business. Meanwhile, the Company also vigorously planned for innovative businesses such as assets securitization, preference shares and market making, and achieved the leading position in the industry.

(1) Traditional sponsorship and underwriting business

As at the End of the Reporting Period, the Company completed two IPO projects, 10 non-public issuance projects with the amount underwritten as a lead underwriter of RMB 31.323 billion, ranking the fourth in the industry.

(2) Merger and acquisition and restructuring business

During the Reporting Period, the Company completed one significant asset restructuring and fund-raising project and seven projects of merger, acquisition and restructuring for which it acted as the financial advisor. In particular, Bohai Leasing acquired 80% equity interest of the US company Cronos, the 8th container leasing company globally, at a transaction amount of USD609 million. In the event function of "2014 Outstanding Investment Banks in China" co-organized by the Securities Times and New Fortune, the project was awarded the "Best Merger, Acquisition and Restructuring Project in China in 2014". In the selection of "China Merger and Acquisition Project Award" in 2014 organized by China Merger and Acquisition Association, the project was awarded the Best Innovation in Merger and Acquisition. Besides, in the 2014 professional evaluation of the practice capability of securities companies acting as financial advisers to the merger, acquisition and restructuring of listed companies as announced by the Securities Association of China, the merger, acquisition and restructuring business of the Company in which it took the financial advisory role was awarded an A rating.

(3) OTC business

As at the End of the Reporting Period, the Company completed 13 recommended listings on New OTC Board and 7 private placements. The amount of stock financing was RMB262 million, with a financing scale ranking the 10th in the industry. In the event function of the "Outstanding Investment Banks in China in 2014" co-organized by the Securities Times and New Fortune, the Company was awarded the "Best Prime Broker of Share Transfer System in China in 2014" and the Yew Project was awarded the "Best Listing Project of Share Transfer System in China in 2014".



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

(4) Investment banking innovative business

In 2014, the Company vigorously planned for innovative businesses such as assets securitization, preference shares and market making, achieving a leading position in the market. In the selection of the “Outstanding Investment Banks in China in 2014” co-organized by the Securities Times and New Fortune, the Company was awarded as the “Most Innovative Investment Bank in China in 2014”. During the Reporting Period, the Company was granted the qualification of New OTC Board market-making business, becoming the first batch of market making brokers and providing market making service to four companies. The Company completed 4 projects in asset-backed securitization (ABS) and asset-backed notes (ABN). Each project was the first project of its asset type in the industry or on the stock exchange. In November 2014, Agricultural Bank of China, to which the Company acted as the co-lead underwriter, successfully issued 40 billion preference shares in China, which was the first project of preference shares issuance in China.

Item	2014	2013	Increase/ Decrease
Amount of equity securities underwritten as a lead underwriter (RMB in 100 million)	313.23	82.69	278.80%
Number of equity securities underwritten as a lead underwriter	15	6	150.00%
Number of projects acted as a financial advisor	79	59	33.90%
Number of New OTC Board projects	20	5	300.00%

Source: Internal statistics of the Company

Prospects for 2015

In 2015, the Company will seize the market opportunities brought by transformation and innovation of the industry. Subject to risk control, the Company will continue to increase the expansion of pipeline of equity IPO and refinancing business, devote much effort in expanding the merger, acquisition and restructuring business, expand the size of its team so as to explore innovation in transaction and profit models. It will launch innovative businesses such as asset securitization, preference shares and market making. Meanwhile, the Company will push forward the construction of a business chain for transactional investment banking model and the systems of performance evaluation and risk control in order to cope with the overall transformation and structural reform of the Company. The Company will establish the operational and management system and mechanism that meet the needs of investment banking business to maintain the results and facilitate business development.

2. Debt securities financing

Market environment

The total volume of bond issuance in the Chinese bond market in 2014 increased drastically. The interest rate of bond issuance decreased notably. The decrease in the yield and yield curve of Chinese bond and urban investment bonds was apparently greater than that of industrial type bonds. This was a year of accelerated progress in the regulated development of bond market and also a year of increasing bond price in the bond market.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Operation initiatives and results

The Company devoted more efforts in contracting projects, strived to increase its Market Share in projects of bond issuance of large national state-owned enterprises, and deeply explored of bond issuance projects of sizeable, high-quality local industrial enterprises, debt projects for listed companies and credit enhancement and collective bond projects of small and micro enterprises. During the Reporting Period, the Company completed 58 projects in which it acted as lead underwriter, including enterprise bonds, corporate bonds and short-term notes, and the amount underwritten as lead underwriter amounted to RMB90.46 billion, representing an increase of 112.27% as compared to 2013.

Item	2014	Number of issuance	2013	Number of issuance
	Amount underwritten as a lead underwriter (RMB in 100 million)		Amount underwritten as a lead underwriter (RMB in 100 million)	
Enterprise bonds	413.00	33	246.53	16
Corporate bonds	110.00	3	83.33	2
Short-term notes	132.00	5	73.50	3
Subordinated bonds (special financial bonds)	219.10	13	47.00	5
Medium-term notes	30.50	4	–	–
Total	904.60	58	450.36	26

Note: The “amount underwritten as a lead underwriter” in connection with bonds underwritten by the Company as a co-lead underwriter as set out in the table above was calculated based on the size of issuance evenly distributed among the lead underwriters.

Source: Internal statistics of the Company

Prospects for 2015

In 2015, the Company will seek development opportunities in the bond market while balancing the three aspects of “facilitating reforms, stabilizing growth and preventing risks”, further playing an important role in supporting the development of real economy. The Company will combine the market development trends with the latest requirements of regulatory policies to make an in-depth exploration of clients’ needs in bond financing in order to maintain its leading market position and influence in the industry.

(iii) Investment management business

1. Asset management

Market environment

The domestic monetary policy was moderately eased in 2014, which resulted in the return of social capital to the securities market in large scale. With further relaxation of regulatory policies for the asset management industry, the innovation of industry was encouraged and the efficiency in product launch increased. Hence, better development opportunities were seen in the asset management industry. However, as the threshold of entering the asset management industry continued to lower, the competition in the industry became intensified. Securities brokers still faced the difficulties of having insufficient ability in active management and excessive reliance on channel business in their asset management business.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Operation initiatives and results

While developing the non-active management business in a prudent manner, the Company voluntarily enhanced its active management capability. Through numerous measures including team building, improvement of mechanism and procedures, strengthening of product design capability, the Company enhanced its competitiveness significantly. The Company has set up a more well-established product system for fixed income products which can satisfy the investment requirements of clients in all aspects. The return of various traditional net value active management products was over 20%, which provided a higher return of investment for clients. During the Reporting Period, revenue and other income from the asset management business of the Company amounted to RMB197 million, representing an increase of 44.52% as compared to 2013. As at the End of the Reporting Period, the assets under management amounted to RMB29.648 billion, representing an increase of 12.28% as compared with last year. Among them, the scale of collective asset management business amounted to RMB11.053 billion, the scale of targeted asset management business amounted to RMB15.995 billion, and the scale of special asset management business amounted to RMB2,600 million. The Company had 54 management products (21 collective products, 31 targeted products and 2 special products).

Item	2014			2013		
	Scale (RMB in 100 million)	Net value (RMB in 100 million)	Quantity	Scale (RMB in 100 million)	Net value (RMB in 100 million)	Quantity
Collective asset management business	110.53	110.89	21	76.52	74.67	31
Targeted asset management business	159.95	155.04	31	187.53	187.91	33
Special asset management business	26	29.03	2	0	0	0

Source: Internal statistics of the Company

Prospects for 2015

In 2015, in terms of the asset management business, the Company will grasp major opportunities in development of the industry by seeking the qualification for management of public funds, QDII investment qualification of subsidiaries to realize comprehensive plans for private and public funds business and domestic and overseas markets. The Company will strengthen the development of new products to enhance its ability in the research and investment in the securities market.

2. Private equity investment

Market environment

With the resumption of IPO of A Shares, further deepening of reform of the IPO mechanism, acceleration and expansion of New OTC Board and gradual relaxation of the review of merger and acquisition of listed companies, merger and acquisition became an important channel for investment institutions to exit. The fund raising and investment of PE market improved substantially. Merger and acquisition opportunities with industry integration as the core came in and became the main development trend. PE exit channels gradually diversified. However, as the large amount of investment projects pending exit accumulated during the suspension of A Shares IPO, the entry barrier to the PE industry has gradually formed. As such, the competition increasingly intensified.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Operation initiatives and results

Galaxy Capital actively promoted the transformation of the private equity investment business, constructed various exit channels and made good use of existing assets. During the Reporting Period, the revenue and other income of Galaxy Capital amounted to RMB76 million, representing an increase of 694.92% as compared to 2013. Galaxy Capital promoted the equity investment business with Galaxy Yueke Equity Investment Fund Platform being the major focus. 61 projects were newly added, 31 projects became the valid projects for reserve and one project for equity investment was completed. Galaxy Capital actively launched the debt investment business, with strict control over the standards of selecting transaction counterparts. Two structured debt investment projects were completed and one debt project was exited. Meanwhile, Galaxy Capital adopted the management strategy of project classification, which strengthened the post-investment management of projects.

Prospects for 2015

In 2015, Galaxy Capital will fully assume its role as the main vehicle of Galaxy Yueke Equity Investment Fund Platform. On the basis of promoting the equity investment business, it will actively explore the innovative businesses of fund management such as mezzanine funds, merger and acquisition funds and targeted placement funds, continue to expand and broaden investment tools and investment scope to construct various exit channels, forming new and stable sources of profit. Galaxy Capital will also insist on doing the post-investment management properly to increase the level of risk compliance control.

(iv) Overseas business

Market environment

In 2014, the development of global economy was diversified and complicated, with strong recovery in the US economy, low growth in the European economy, greater difficulty in maintaining the economic growth in Japan, continuous structural adjustments to the Chinese economy, and greater fluctuations in the Chinese and Hong Kong markets due to the expected disappointment of investors over the full relaxation of macroeconomic policy. Hence, there existed greater differences in the economic growth of various countries. The roll-out of various policies and measures in China gave a clear direction to securities companies for developing international business and accelerating internationalization.

Operation initiatives and results

In 2014, Galaxy International Holdings maintained its rapid development, gradually increased the proportion of revenue from the financing business on the basis that risks are controllable, and enhanced the income generating capability of bridging finance and brokerage business. The asset management business team was quickly set up and began to generate stable income. Galaxy International Holdings attempted to conduct proprietary businesses to further expand income sources. It also continued to strengthen its co-operation with mainland branches and devoted more effort in exploring and building pipeline of mainland clients, with an aim of striving to create an integrated platform for the overseas development of the Company. Currently, the financing, brokerage and investment banking businesses have become the three major sources of income of Galaxy International Holdings. During the Reporting Period, Galaxy International Holdings achieved income and other revenue of RMB256 million, representing an increase of 26.28%, as compared to 2013. Besides, Galaxy International Holdings obtained the qualification of RQFII business during the Reporting Period and was granted a limit of RMB800 million for investment in inter-bank bond market. China Galaxy International Asset Management (Hong Kong) Co., Limited was granted the registration certificates for investment advisory business and discretionary investment management business approved by the Korean Financial Services Committee during the Reporting Period.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Prospects for 2015

In 2015, with the increasing importance of the capital-driven business, Galaxy International Holding will continue to maintain its stable profits. It will actively expand innovative businesses while consolidating its ability to generate from the existing business segments. Galaxy International Holdings will take full advantage of the diversified business platform and the sound client base of the Company to make a two-way effort in facilitating the development of cross-border business.

III. ANALYSIS ON THE FINANCIAL STATEMENTS

(i) Profitability analysis of the Company during the Reporting Period

In 2014, multiple favourable news appeared in the A Shares market that the trading in Shenzhen and Shanghai stock markets became active with the daily average trading volumes of stocks and funds increasing significantly. Along with the rising of stock and bond indexes and the re-launch of IPO, the capital-based intermediary businesses such as the margin financing and securities lending business experienced an explosive growth, which gave rise to a significant increase in income and net profits of the industry. The Company seized development opportunities in the industry, firmly carried out its strategic planning, insisted on development and innovation, and achieved better operating results with a higher growth in both operating income and net profits.

In 2014, the Group realized revenue and other income of RMB13.017 billion, representing an increase of 54.48% as compared to 2013; the Group realized net profits attributable to shareholders of the Company of RMB3.771 billion, representing an increase of 76.59% as compared to 2013; the Group realized earnings per share of RMB0.50, representing an increase of 61.29% as compared to 2013 and the weighted average return on net assets amounted to 13.91%, representing an increase of 4.22 percentage points as compared to 2013.

(ii) Asset structure and quality

As at the end of 2014, total assets of the Group amounted to RMB180.026 billion, representing an increase of 129.96% from RMB78.284 billion as at the end of 2013; total liabilities amounted to RMB150.690 billion, representing an increase of 185.06% from RMB52.863 billion as at the end of 2013; equity attributable to shareholders of the Company amounted to RMB29.024 billion, representing an increase of 15.29% from RMB25.175 billion as at the end of 2013.

Asset structure remained stable while asset quality and liquidity remained satisfactory. In 2014, compositions of the Group's total assets were: cash assets of RMB89.122 billion, mainly including bank balances, clearing settlement funds and transaction deposits, accounting for 49.51%; financing assets of RMB68.848 billion, mainly including advances to customers and financial assets held under resale agreements, accounting for 38.24%; financial investment assets of RMB19.176 billion, mainly including investments in associated companies and financial assets investment, accounting for 10.65%; and operational assets such as other properties and equipment of RMB2.881 billion, mainly including fixed assets and intangible assets, accounting for 1.60%. During the Reporting Period, the Group made corresponding provision for impairment for available-for-sale financial assets, accounts receivable and other receivables subject to impairment while there were no signs of significant impairment for other assets.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Assets and liabilities and operating leverage improved remarkably. Liabilities, excluding accounts payable to brokerage clients, amounted to RMB72.282 billion at the end of 2014, representing an increase of RMB55.871 billion, or 340.44%, as compared to 2013, primarily due to the Company's progressive innovation and development of capital-based intermediary business. In particular, the margin financing and securities lending business realized an explosive growth, and active expansion of financing channels was achieved and the scales of financing and high leverage businesses were expanded. The gearing ratio of the Group was 71%, representing an increase of 32 percentage points as compared with 39% as at the end of 2013. (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)); operating leverage ratio was 3.50 times, representing an increase of 110.84% as compared with 1.66 times as at the end of 2013. (Note: operating leverage ratio = (total assets – account payable to brokerage clients)/equity attributable to shareholders of the Company).

(iii) Financing channels and capability

Currently, the Company raised short-term funding primarily by means of lending, issuance of short-term notes, short-term subordinated bonds, transfer of margin financing and securities lending income rights and income rights certificates.

Meanwhile, the Company may also finance long-term capital through follow-on offerings, rights issue, issuance of long-term corporate bonds, long-term subordinated bonds and other ways according to market environment and its own needs.

At present, the Company has obtained consolidated credit line from several commercial banks and may employ the foregoing debt financing instruments in a comprehensive manner for raising funds according to its own business needs.

(iv) Cash flow

Excluding the change in margin deposit of clients, net increase in cash and cash equivalents amounted to RMB5.309 billion due to the fact that the cash inflow from the Group's financing activities in 2014 was more than the cash outflow by operating activities and investing activities.

Net cash flow from operating activities decreased by RMB14.270 billion to RMB-21.906 billion in 2014 from RMB-7.636 billion for the same period of 2013; net cash flow from investing activities increased by RMB4.488 billion to RMB-391 million in 2014 from RMB-4.879 billion for the same period of 2013; net cash flow from financing activities increased by RMB16.810 billion to RMB27.605 billion in 2014 from RMB10.795 billion for the same period of 2013; net increase in cash and cash equivalents increased by RMB7.035 billion to RMB5.309 billion from RMB-1.726 billion for the same period of 2013.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

(v) Operating revenue and profit analysis

1. Items of income statement

SUMMARY RESULTS OF OPERATIONS

In 2014, the Group realized the profit before income tax of RMB5.003 billion, representing an increase of 72.95% as compared to 2013, and the main results of operations are listed as follows:

Unit: RMB in million

Item	2014	2013	Change	Year-on-year growth rate
Revenue				
Commission and fee income	7,135.0	5,039.5	2,095.5	41.58%
Interest income	4,182.0	2,666.4	1,515.6	56.84%
Net investment gains	1,652.7	697.4	955.3	136.98%
Total revenue	12,969.7	8,403.3	4,566.4	54.34%
Other income and gains	46.9	22.9	24.0	104.80%
Total revenue and other income	13,016.6	8,426.2	4,590.4	54.48%
Total expenses	8,013.6	5,532.9	2,480.7	44.84%
Share of result of associated companies	0.3	-0.3	0.6	200.00%
Profit before income tax	5,003.3	2,893.0	2,110.3	72.95%
Income tax expense	1,212.9	738.1	474.8	64.33%
Profit for the year	3,790.4	2,154.9	1,635.5	75.90%
Net profit attributable to shareholders of the Company	3,770.7	2,135.2	1,635.5	76.60%

Revenue breakdown

In 2014, the Group's total revenue and other income increased by 54.48% to RMB13.017 billion as compared to 2013. Among others, commission and fee income accounted for 54.81%, representing a decrease of 5.00 percentage points as compared to 2013; interest income took up 32.13%, representing an increase of 0.49 percentage point as compared to 2013; net investment gains accounted for 12.70%, representing an increase of 4.42 percentage points as compared to 2013. Breakdown of the Group's revenue for the recent two years is listed as follows:

Unit: RMB in million

Item	2014	2013	Increase/Decrease
Commission and fee income	54.81%	59.81%	Decreased by 5.00%
Interest income	32.13%	31.64%	Increased by 0.49%
Net investment gains	12.70%	8.28%	Increased by 4.42%
Other income and gains	0.36%	0.27%	Increased by 0.09%
Total	100.00%	100.00%	



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Viewing from the change in the revenue breakdown, the ratio accounted for by the Company's light-capital business which mainly generates commissions and fee income has been decreasing gradually year-on-year while the ratio accounted for by the Company's heavy-capital business which mainly generates interest income and net investment gains has been increasing gradually year-on-year. This reflects the fact that the result of the Company's transformation in development has become significant and the Company's revenue breakdown is gradually shifting towards a balance.

Commission and fee income

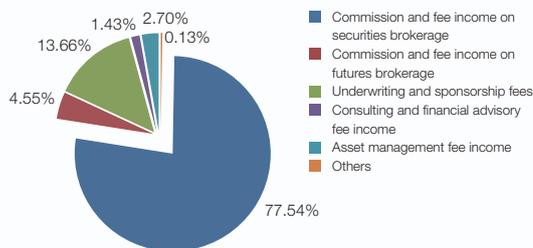
Breakdown of the Group's commission and fee income in 2014 is listed as follows:

Unit: RMB in million

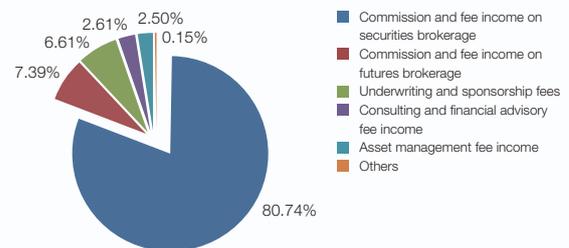
Item	2014	2013	Change	Year-on-year growth rate
Commission and fee income				
Commission and fee income on securities brokerage	5,532.5	4,069.0	1,463.5	35.97%
Commission and fee income on futures brokerage	324.9	372.5	-47.6	-12.77%
Underwriting and sponsorship fees	974.4	333.2	641.2	192.44%
Consulting and financial advisory fee income	101.9	131.5	-29.6	-22.51%
Asset management fee income	192.3	125.7	66.6	52.98%
Others	9.0	7.6	1.4	18.42%
Total commission and fee income	7,135.0	5,039.5	2,095.5	41.58%
Commission and fee income expense				
	201.1	171.2	29.9	17.46%
Net commission and fee income	6,933.9	4,868.3	2,065.6	42.43%

The breakdown of the Group's commission and fee income in 2014 and 2013:

Breakdown of commission and fee income in 2014



Breakdown of commission and fee income in 2013



In 2014, the Group's net commission and fee income amounted to RMB6,934 million, representing an increase of 42.43% as compared to 2013, which was mainly due to an increase in the commission and fee income on securities brokerage.

Commission and fee income on securities brokerage business increased by RMB1,464 million or 35.97% as compared to 2013, which was mainly due to the active trading in Chinese stock markets and significant growth in daily average trading volume of stocks and funds in 2014; the favorable impacts exceeded the adverse impacts of declining average commission rate, therefore commission and fee income on securities brokerage increased correspondingly.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Underwriting and sponsorship fee income of investment banking business increased by RMB641 million or 192.44% as compared to 2013, which was primarily due to re-launch of IPO in 2014 and bullish stock and bond markets that resulted in significant growth in stocks and bonds fund raising amounts by the Group.

Investment consulting and financial advisory fee income decreased by RMB30 million or 22.51% as compared to 2013, which was mainly due to the slowdown in the development of financial advisory business.

Commission and fee income of asset management business increased by RMB67 million or 52.98% as compared to 2013, which was primarily due to a significant increase in the amount of asset under management as the control and regulation of asset management business has continued to relax.

Interest income

In 2014, the Group realized net interest income of RMB2,805 million, representing an increase of 41.53% as compared to 2013. Breakdown of the Group's net interest income in 2014 is listed as follows:

Unit: RMB in million

Item	2014	2013	Change	Year-on-year growth rate
Interest income				
Deposits and bank balances with exchanges and non-bank financial institutions	1,614.9	1,453.5	161.4	11.10%
Advances to customers and securities lending	2,497.8	1,102.0	1,395.8	126.66%
Financial assets held under resale agreements	69.3	110.9	-41.6	-37.51%
Total interest income	4,182.0	2,666.4	1,515.6	56.84%
Interest expenses	1,377.2	684.6	692.6	101.17%
Net interest income	2,804.8	1,981.8	823.0	41.53%

Interest income from deposits and bank balances with exchanges and non-bank financial institutions increased by RMB161 million or 11.10% as compared to 2013, which was primarily due to the increase arising from the growth of the size of client margin deposits exceeded the decrease arising from a decline in rate spread.

Interest income from advances to customers and securities lending increased by RMB1,396 million or 126.66% as compared to 2013, which was primarily due to an increase in the scale of margin financing and securities lending business.

Interest income from financial assets held under resale agreements decreased by RMB42 million or 37.51% as compared to 2013, which was primarily due to a significant decrease in the scale of securities-based lending product "Jin Shi Yu" ("金時雨").



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Net investment gains

In 2014, the Group realized net investment gains of RMB1,653 million, representing an increase of 136.98% as compared to 2013. Breakdown of the Group's net investment gains in 2014 is listed as follows:

Unit: RMB in million

Item	2014	2013	Change	Year-on-year growth rate
Net investment gains				
Net realized (losses)/gains from disposal of available-for-sale financial assets	224.1	147.5	76.6	51.93%
Dividend income and interest income from available-for-sale financial assets	520.5	375.4	145.1	38.65%
Interest income from loan investment	38.7	0.8	37.9	4,737.5%
Net realized (losses)/gains from financial assets at fair value through profit or loss	-206.5	-202.4	-4.1	-2.03%
Dividend income and interest income from financial assets held at fair value through profit or loss	433.3	505.9	-72.6	-14.35%
Unrealized fair value change of financial instruments at fair value through profit or loss	642.6	-129.8	772.4	595.07%
Total	1,652.7	697.4	955.3	136.98%

Note: Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated at fair value through profit or loss and financial derivatives.

Realized net gains on disposal of available-for-sale financial assets increased by RMB77 million or 51.93% as compared to 2013, which was primarily due to the Group's participation in a number of share placements with significant profits in the sales of some placement shares.

Dividend and interest income from available-for-sale financial assets increased by RMB145 million or 38.65% as compared to 2013, which was primarily due to the Group's expansion of the dealer-quoted bond repurchase business.

Dividend and interest income from financial assets held at fair value through profit or loss decreased by RMB73 million as compared to 2013, which was primarily due to a decrease in bonus income from the Group's investment funds.

Unrealized gains on change in fair value of financial assets at fair value through profit or loss increased by RMB772 million, which was primarily due to the rise in market value of bonds and stocks resulting from the bull markets of stocks and bonds.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Operating expenses

In 2014, the Group's operating expenses (regardless of fee and commission expenses and interest expenses) amounted to RMB6,435 million, representing an increase of 37.59%. Main compositions of the Group's operating expenses in 2014 are listed as follows:

Unit: RMB in million

Item	2014	2013	Change	Year-on-year growth rate
Operating expenses				
Depreciation and amortization	187.2	218.8	-31.6	-14.44%
Staff costs	4,191.3	2,490.5	1,700.8	68.29%
Other operating expenses	2,016.1	1,775.6	240.5	13.54%
Impairment losses	40.6	192.2	-151.6	-78.88%
Total	6,435.2	4,677.1	1,758.1	37.59%

Depreciation and amortization decreased by RMB32 million or 14.44% as compared to 2013, which was primarily due to the fact that some of the Company's fixed and intangible assets remained in normal use although the provision for depreciation or the amortization of such assets was completed.

Staff costs increased by RMB1,701 million or 68.29% as compared to 2013, which was primarily due to an increase in bonus for improving performance in 2014.

Other operating expenses increased by RMB241 million or 13.54% as compared to 2013, which was primarily due to the rental increase and growth of the business administrative costs.

Impairment losses of assets amounted to RMB41 million, representing a decrease of RMB152 million as compared to 2013, details of which are listed as follows.

Unit: RMB in million

Item	2014	2013	Change	Year-on-year growth rate
Impairment losses				
Allowance for/(reversal of) impairment loss in respect of accounts receivable	1.2	7.7	-6.5	-84.42%
Impairment loss in respect of other receivables	15.1	15.1	0.0	0.00%
Impairment loss in respect of available-for-sale financial assets	24.3	169.4	-145.1	-85.66%
Total	40.6	192.2	-151.6	-78.88%



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

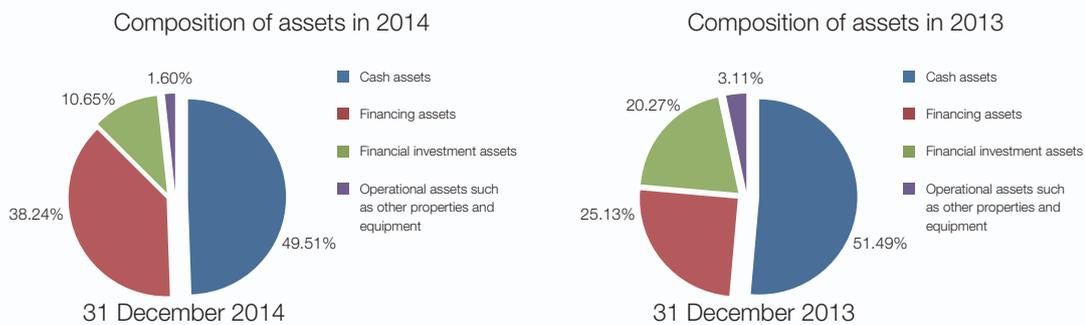
2. Asset items

As at 31 December 2014, the total assets of the Group amounted to RMB180.026 billion, representing an increase of 129.96% as compared to 2013. Among others, cash assets amounted to RMB89.122 billion, representing an increase of 121.16% as compared to 2013; financing assets amounted to RMB68.848 billion, representing an increase of 249.89% as compared to 2013; financial investment assets amounted to RMB19.176 billion, representing an increase of 20.81% as compared to 2013; and operational assets such as other properties and equipment amounted to RMB2.881 billion, representing an increase of 18.19% as compared to 2013. Major changes in the Group's total assets are listed as follows:

Unit: RMB in million

Item	31 December 2014	31 December 2013	Change	Year-on-year growth rate
Total assets				
Cash assets	89,122.0	40,298.4	48,823.6	121.16%
Financing assets	68,847.5	19,676.6	49,170.9	249.89%
Financial investment assets	19,175.6	15,872.1	3,303.5	20.81%
Operational assets such as other properties and equipment	2,880.6	2,437.3	443.3	18.19%
Total	180,025.7	78,284.4	101,741.3	129.96%

The composition of the Group's total assets as at the end of the date indicated below:





SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Cash assets

As at 31 December 2014, the Group's cash assets increased by RMB48.824 billion or 121.16% as compared to 2013, accounting for 49.51% of the Group's total assets. The composition of the Group's cash assets is listed as follows:

Unit: RMB in million

Item	31 December 2014	31 December 2013	Change	Year-on-year growth rate
Cash assets				
Bank balances	51,811.6	33,083.7	18,727.9	56.61%
Clearing settlement funds	31,260.4	4,373.9	26,886.5	614.70%
Deposits with exchanges and non-bank financial institutions	6,050.0	2,840.8	3,209.2	112.97%
Total	89,122.0	40,298.4	48,823.6	121.16%

The change in cash assets was mainly reflected in bank balances and clearing settlement funds, which amounted to RMB51.812 billion, and RMB31.260 billion, representing an increase of 56.61% and 614.70%, respectively, as compared to 2013. This was mainly due to the financing of funds through the issuance of corporate bonds and subordinated bonds by the Group for satisfying the demands for development of high fund-consuming businesses such as margin financing and securities lending business on one hand, and significant growth of the clients' funds on the other hand.

Financing assets

As at 31 December 2014, the Group's financial assets increased by RMB49.171 billion or 249.89% as compared to 2013, accounting for 38.24% of the Group's total assets. The composition of the Group's financing assets is listed as follows:

Unit: RMB in million

Item	31 December 2014	31 December 2013	Change	Year-on-year growth rate
Financial assets				
Advances to customers	61,442.7	18,392.8	43,049.9	234.06%
Financial assets held under resale agreements	7,404.8	1,283.8	6,121.0	476.77%
Total	68,847.5	19,676.6	49,170.9	249.89%

Advances to customers increased by 234.06% to RMB61.443 billion, which was primarily due to a significant growth of the Group's margin financing and securities lending business.

Financial assets held under resale agreements increased by 476.77% to RMB7.405 billion, which was primarily due to a significant growth in the scale of the Group's pledge-style bond repurchase for liquidity management.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Financial investment assets

As at 31 December 2014, the Group's financial investment assets increased by RMB3.304 billion or 20.81% as compared to 2013, accounting for 10.65% of the Group's total assets. The composition of the Group's financial investment assets is listed as follows:

Unit: RMB in million

Item	31 December 2014	31 December 2013	Change	Year-on-year growth rate
Financial investment assets				
Investment in an associate	20.0	19.9	0.1	0.50%
Loan investment	250.0	90.0	160.0	177.78%
Available-for-sale financial assets	11,583.5	9,790.1	1,793.4	18.32%
Financial assets held for trading	5,961.3	5,027.3	933.9	18.58%
Financial assets designated as at fair value through profit or loss	1,360.8	942.5	418.3	44.38%
Derivative financial instruments	0.0	2.3	-2.3	-100.00%
Total	19,175.6	15,872.1	3,303.5	20.81%

Available-for-sale financial assets: As at 31 December 2014, the Group's available-for-sale financial assets increased by RMB1.793 billion or 18.32% as compared to 2013, accounting for 6.43% of the Group's total assets. The composition of the Group's available-for-sale financial assets is listed as follows:

Unit: RMB in million

Item	31 December 2014	31 December 2013	Change	Year-on-year growth rate
Available-for-sale financial assets				
Debt securities	9,008.3	7,934.5	1,073.8	13.53%
Equity securities	702.4	685.3	17.1	2.50%
Funds	11.6	11.7	-0.1	-0.85%
Other investments	1,861.2	1,158.6	702.6	60.64%
Total	11,583.5	9,790.1	1,793.4	18.32%



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Financial assets held for trading: As at 31 December 2014, the Group's financial assets held for trading increased by RMB934 million or 18.58% as compared to 2013, accounting for 3.31% of the Group's total assets. The composition of the Group's financial assets held for trading is listed as follows:

Unit: RMB in million

Item	31 December 2014	31 December 2013	Change	Year-on-year growth rate
Financial assets held for trading				
Debt securities	3,850.8	3,269.0	581.8	17.80%
Equity securities	662.8	127.3	535.5	420.66%
Funds	1,447.7	1,595.0	-147.3	-9.24%
Other investments	0.0	36.0	-36.0	-100.00%
Total	5,961.3	5,027.3	933.9	18.58%

Financial assets designated as at fair value through profit or loss: As at 31 December 2014, the Group's financial assets designated as at fair value through profit or loss increased by RMB418 million or 44.38% as compared to 2013, accounting for 0.76% of the Group's total assets. The composition of the Group's financial assets designated as at fair value through profit or loss is listed as follows:

Unit: RMB in million

Item	31 December 2014	31 December 2013	Change	Year-on-year growth rate
Financial assets designated as at fair value through profit or loss				
Convertible bonds	657.4	628.8	28.6	4.55%
Equity securities	431.8	283.5	148.3	52.31%
Funds	201.6	30.2	171.4	567.55%
Other investments	70.0	0.0	70.0	100.00%
Total	1,360.8	942.5	418.3	44.38%



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Operational assets such as other properties and equipment

As at 31 December 2014, the Group's operational assets such as other properties and equipment increased by RMB443 million or 18.19% to RMB2.881 billion as compared to 2013, accounting for 1.60% of the Group's total assets. The composition of the Group's operational assets such as other properties and equipment is listed as follows:

Unit: RMB in million

Item	31 December 2014	31 December 2013	Change	Year-on-year growth rate
Operational assets such as other properties and equipment				
Property and equipment	379.6	393.7	-14.1	-3.58%
Goodwill	223.3	223.3	0.0	0.00%
Other intangible assets	355.2	349.3	5.9	1.69%
Deferred tax assets	347.7	308.2	39.5	12.82%
Accounts receivable	458.2	300.9	157.3	52.28%
Prepaid taxes	1.6	29.9	-28.3	-94.65%
Other receivables and prepayments	1,115.0	832.0	283.0	34.24%
Total	2,880.6	2,437.3	443.3	18.19%



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

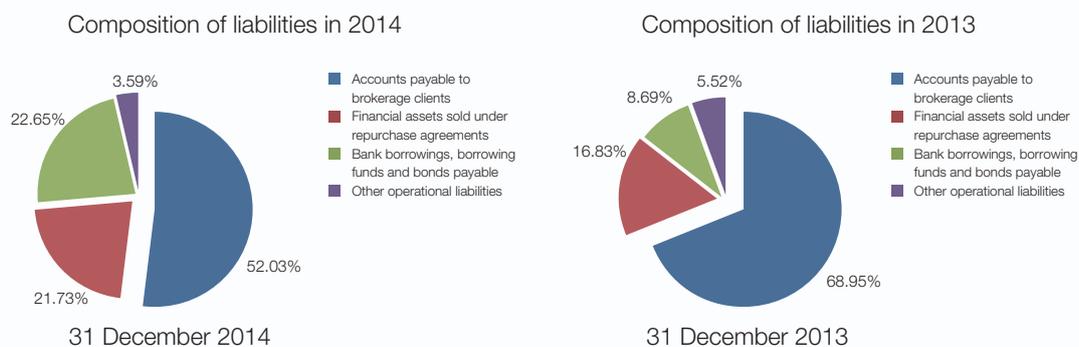
3. Liability items

As at 31 December 2014, the Group's total liabilities increased by RMB97.827 billion or 185.06% to RMB150.690 billion as compared to 2013. In order to strongly develop the capital-based intermediary business, the Company increased its financial leverage level and expanded the scale of financing through various financing channels. As at 31 December 2014, accounts payable to brokerage clients was RMB78.408 billion, representing an increase of 115.10% as compared to 2013; financial assets sold under repurchase agreements was RMB32.740 billion, representing an increase of 267.93% as compared to 2013, which was primarily due to an increase in the business of dealer-quoted bond repurchase and increases in transfer of margin financing and securities lending income rights and in forward loan purchases; bank borrowings, placements and bonds payable was RMB34.130 billion, representing an increase of 643.14% as compared to 2013, which was mainly due to the issuance of new bonds such as corporate bonds and subordinated bonds. Major changes in the Group's total assets are listed as follows:

Unit: RMB in million

Item	31 December 2014	31 December 2013	Change	Year-on-year growth rate
Liabilities				
Accounts payable to brokerage clients	78,407.5	36,451.3	41,956.2	115.10%
Financial assets sold under repurchase agreements	32,739.9	8,898.4	23,841.5	267.93%
Bank borrowings, borrowing funds and bonds payable	34,130.0	4,592.7	29,537.3	643.14%
Other operational liabilities	5,412.3	2,920.3	2,492.0	85.33%
Total	150,689.8	52,862.7	97,827.1	185.06%

The composition of the Group's total liabilities as at the end of the date indicated below:





SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Bank borrowings and borrowing funds

Unit: RMB in million

Item	31 December 2014	31 December 2013	Change	Year-on-year growth rate
Bank borrowings, borrowing funds and bonds payable				
Due to banks and non-bank financial institutions	1,812.1	592.7	1,219.4	205.74%
Short-term financing instrument payables	5,417.9	0.0	5,417.9	100.00%
Bonds payable	26,900.0	4,000.0	22,900.0	572.50%
Total	34,130.0	4,592.7	29,537.3	643.14%

The amount payable to banks and non-bank financial institutions was RMB1.812 billion, representing an increase of about 2 times as compared to 2013, which was primarily due to an increase in borrowings funds of the Hong Kong subsidiaries.

The bonds payable increased by RMB22.9 billion as compared to 2013, all of which were the unmatured corporate bonds and subordinated bonds issued by the Group.

Other operational liabilities

Unit: RMB in million

Item	31 December 2014	31 December 2013	Change	Year-on-year growth rate
Other operational liabilities				
Accrued staff costs	2,932.7	1,287.7	1,645.0	127.75%
Other payables and accruals	2,101.1	1,616.3	484.8	30.00%
Income tax liabilities	354.4	8.4	346.0	4,119.05%
Derivative financial liabilities	24.1	7.9	16.2	205.06%
Total	5,412.3	2,920.3	2,492.0	85.33%



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Accrued staff costs increased by RMB1.645 billion or 127.75% as compared to 2013, which was primarily due to increase in the provision for bonus pool resulting from the increase in the Group's income.

Other payables and accruals increased by RMB485 million or 30.00% as compared to 2013, which was primarily due to an increase in interest payable as result of the increase in active financing.

4. Equity items

As at 31 December 2014, the Group's total equity was RMB29.336 billion, representing an increase of 15.40% as compared to 2013. The following table sets forth the composition of the Group's equities for the date indicated:

Unit: RMB in million

Item	31 December 2014	31 December 2013	Change	Year-on-year growth rate
Share capital	7,537.3	7,537.3	0.0	0.00%
Reserves	13,232.1	11,567.6	1,664.5	14.39%
Retained profits	8,254.4	6,070.0	2,184.4	35.99%
Non-controlling interests	312.1	246.8	65.3	26.45%
Total	29,335.9	25,421.7	3,914.3	15.40%



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

5. SEGMENT RESULTS

The Group has four business lines: brokerage, sales and trading business, investment banking business, investment management business and overseas business. We report the financial results for our business lines in seven business segments, among which financial results for the brokerage, sales and trading business lines are reflected in three segments: securities brokerage, futures brokerage, proprietary trading and other securities trading services, and the financial results for the investment management business line are reflected in two segments: asset management and private equity investment. Other segments primarily consist of the interest income from the proprietary bank deposits and treasury management activities as well as staff costs and administrative expenses related to the management functions of headquarters.

The following table sets forth segment revenue and other income (including inter-segment revenue) for the periods indicated:

Unit: RMB in million

	2014		2013	
	Amount	Percentage	Amount	Percentage
Securities brokerage	9,391.7	72.15%	6,173.9	73.27%
Futures brokerage	683.6	5.25%	623.2	7.40%
Proprietary trading and other securities trading services	1,402.0	10.77%	823.5	9.77%
Investment banking	1,025.6	7.88%	411.2	4.88%
Asset management	197.4	1.52%	136.6	1.62%
Private equity investment	76.3	0.59%	9.6	0.11%
Overseas business	255.8	1.96%	202.5	2.40%
Others	201.2	1.55%	105.1	1.25%
Inter-segment eliminations	-217.0	-1.67%	-59.4	-0.70%
Total	13,016.6	100.00%	8,426.2	100.00%



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth segment expenses (including inter-segment expenses) for the periods indicated:

Unit: RMB in million

	2014		2013	
	Amount	Percentage	Amount	Percentage
Securities brokerage	5,256.8	65.59%	3,275.3	59.20%
Futures brokerage	498.1	6.22%	422.8	7.64%
Proprietary trading and other securities trading services	671.4	8.38%	443.6	8.02%
Investment banking	737.7	9.21%	288.7	5.22%
Asset management	158.9	1.98%	56.5	1.02%
Private equity investment	55.9	0.70%	176.9	3.20%
Overseas business	206.0	2.57%	159.4	2.88%
Others	542.2	6.76%	717.6	12.97%
Inter-segment eliminations	-113.4	-1.41%	-7.9	-0.14%
Total	8,013.6	100.00%	5,532.9	100.00%

The following table sets forth segment result (profit/(loss) before income tax for the periods indicated. Each segment result is calculated based on segment revenue and other income (including inter-segment revenue) minus segment expenses (including inter-segment expenses).

Unit: RMB in million

	2014		2013	
	Amount	Percentage	Amount	Percentage
Securities brokerage	4,134.9	82.64%	2,898.6	100.19%
Futures brokerage	185.5	3.71%	200.4	6.93%
Proprietary trading and other securities trading services	730.7	14.60%	379.9	13.13%
Investment banking	287.9	5.76%	122.5	4.23%
Asset management	38.6	0.77%	80.1	2.77%
Private equity investment	20.3	0.41%	-167.3	-5.78%
Overseas business	49.7	0.99%	43.2	1.49%
Others	-340.7	-6.81%	-612.9	-21.19%
Inter-segment eliminations	-103.6	-2.07%	-51.5	-1.78%
Total	5,003.3	100.00%	2,893.0	100.00%

(vi) Contingent liabilities

Nil



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

IV. ESTABLISHMENT AND DISPOSAL OF SECURITIES BRANCHES, BRANCH OFFICES AND SUBSIDIARIES

(1) Establishment and disposal of securities branches and branch offices

As at the End of the Reporting Period, the Company had established 36 branch offices and 330 securities branches.

1. Establishment of securities branches and branch offices

During the Reporting Period, according to the “Approval on the Establishment of 107 Branches by China Galaxy Securities Co., Ltd.” (Jing Zheng Jian Xu Ke [2013] No. 282) and the “Letter Concerning the Approval for Delay in Establishing 56 Branches of China Galaxy Securities Co., Ltd.” (Jing Zheng Jian Fa [2014] No. 135) issued by CSRC Beijing Bureau, the Company organized and completed the establishment of 7 branch offices in Xinjiang, Hainan, Gansu, Ningxia, Guizhou, Guangxi and Xizang and 96 securities branches in Sheng’an Avenue, Tianjin and other places. Please see “IV Numbers and Distribution of Securities Branches” in section 3 of this report for details.

2. Relocation of securities branches and branch offices

The Company has constantly adjusted and optimized the branch layout. During the Reporting Period, the Company relocated 28 branches within the same city, including 6 branch offices and 22 securities branches, which are Beijing branch, Shenzhen branch, Guangdong branch, Shanghai branch, Qingdao branch, Heilongjiang branch, securities branch in Financial Street, Beijing, securities branch in Qingchun Road, Hangzhou, securities branch in Huanshi East Road, Guangzhou, securities branch in Zhenning Road, Changning District, Shanghai, securities branch in Ningkang Street, Zhuan Kou, Wuhan, securities branch in Yuanshen Road, Pudong New District Shanghai, securities branch in Shennan Avenue, Shenzhen, securities branch in Yejin North Road, Xingtai, securities branch in Shengli Road, Tianjin, securities branch in Jiefang Central Road, Changsha, securities branch in Zhongshan Road, Fuzhou, securities branch in Nanjing Road, Qingdao, securities branch in Zhongshan Road, Harbin, securities branch in Songshan Road, Shantou, securities branch in Sanhao Street, Shenyang, securities branch in Xinfeng North Road, Huangpu, Zhongshan, securities branch in Hujialou, Beijing, securities branch in Qinghe, Xingtai, securities branch in Sanjing Street, Shenyang, securities branch in Xianggang West Road, Qingdao, securities branch in Shanhe, Zhengzhou and securities branch in Qinhuangdao.

(2) Establishment of subsidiaries

To cope with the development trend of the industry and increase the operational efficiency and isolate risks, the Company established the wholly-owned asset management subsidiary, Galaxy Jinhui, with a registered capital of RMB500 million. The business licence was obtained on 25 April 2014 and the permit for securities business operations was obtained on 15 May 2014. Galaxy Jinhui was the 7th asset management subsidiary obtaining such qualification in the industry. The original asset management business of the Company was passed on to the subsidiary.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

V. SIGNIFICANT INVESTMENT AND FINANCING ACTIVITIES

(1) Equity investment

1. On 12 December 2014, the “Resolution on Requesting the Company to Make Capital Contribution for Investing in Zheng Tong Co., Ltd.” was considered and approved at the 46th meeting of the 2nd session of the Board of the Company, which approved the Company to make a capital contribution of RMB50 million for the investment in and establishment of Zheng Tong Co., Ltd. As at the End of the Reporting Period, the Company completed the capital contribution. Zheng Tong Co., Ltd. completed the registration with the department in charge of industrial and commercial administration on 8 January 2015.
2. On 26 March 2014, the “Resolution on Reviewing the Increase in Registered Capital of the Hong Kong Subsidiary” was considered and approved at the 40th meeting of the 2nd session of the Board of the Company. In order to provide better support to the development of overseas business, it was decided to increase the registered capital of Galaxy International Holdings from HKD400 million to HKD1 billion. The Company completed the capital increase in Galaxy International Holdings in July 2014.

(ii) Equity financing

On 25 April 2014, the Company convened the first extraordinary general meeting, domestic shares class meeting and H shares class meeting in 2014, at which the plan for A Shares issuance and other relevant resolutions were considered, approved and amended. It was approved that the Company should issue not more than 1,693,510,473 A Shares (including any shares which may be issued under an over-allotment option) on SSE and not more than 18.35% of the total share capital of the Company after the issuance. In particular, the total size of the actual issuance, matters related to over-allotment option and allotment ratio would be determined by the Board under the authorization of the Company’s general meetings based on the capital requirement of the Company, communication with regulatory authorities and the specific market condition at the time of issuance. Any funds raised from the A Shares issuance would, after deduction of the issuance expenses, be entirely used in increasing the capital of the Company and replenishing its working capital. The plan of A Shares issuance was valid for 12 months, starting from the date on which the resolution was approved at the general meeting and class meetings. Application materials including the prospectus of A Shares had been submitted by the Company and accepted by CSRC. The prospectus of A Shares was published on the CSRC website on 29 August 2014, and posted on the HKExnews website at the same time.

On 20 January 2015, the Board of the Company proposed to extend the term of the plan for A Shares issuance and the authorization related to the issuance of A Shares for a period of 12 months from the date immediately after the original expiry date. On 26 March 2015, the above-mentioned resolution was considered and approved at the first extraordinary meeting, domestic shares and H Shares class meetings of the Company in 2015.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

(iii) Bond financing

In 2014, the Company issued bonds of RMB27.41 billion in total, of which RMB21.41 billion was subordinated bonds and RMB6 billion was short-term corporate bonds. Please refer to the table below for details:

Type	Tranche	Size of Issuance (RMB 100 in million)	Use of Proceeds	Date of Issuance	Maturity Date	Term (Day)	Interest Rate	Remarks
Subordinated bond	2014 Tranche 1 Subordinated bond	5.10	To replenish working capital	2014/1/13	2014/7/14	182	6.85%	
	2014 Tranche 2 Subordinated bond	11.00	To replenish working capital	2014/9/2	2015/9/2	365	5.60%	
	2014 Tranche 3 Subordinated bond	13.00	To replenish working capital	2014/9/2	2015/3/4	183	5.45%	
	2014 Tranche 4 Subordinated bond	10.00	To replenish working capital	2014/9/17	2015/6/19	275	5.55%	
	2014 Tranche 5 Subordinated bond	17.00	To replenish working capital	2014/9/23	2015/9/23	365	5.80%	
	2014 Tranche 6 Subordinated bond	40.00	To replenish working capital	2014/10/30	2017/10/30	1,096	5.30%	Attached with the option to redeem subordinated bonds by the Company or increase the coupon rate at the end of the first year
	2014 Tranche 7 Subordinated bond	15.00	To replenish working capital	2014/11/26	2016/11/26	731	5.20%	
	2014 Tranche 8 Subordinated bond	15.00	To replenish working capital	2014/11/26	2017/11/26	1,096	5.10%	Attached with the option to redeem subordinated bonds by the Company or increase the coupon rate at the end of the first year
	2014 Tranche 9 Subordinated bond	15.00	To replenish working capital	2014/12/5	2016/12/5	731	5.30%	
	2014 Tranche 10 Subordinated bond	15.00	To replenish working capital	2014/12/5	2017/12/5	1,096	5.10%	Attached with option to redeem subordinated bonds by the Company or increase the coupon rate at the end of the first year
	2014 Tranche 11 Subordinated bond	32.00	To replenish working capital	2014/12/15	2016/12/15	731	6.30%	
	2014 Tranche 12 Subordinated bond	26.00	To replenish working capital	2014/12/15	2017/12/15	1,096	6.00%	Attached with option to redeem subordinated bonds by the Company or increase the coupon rate at the end of the first year
	Sub-total	214.10						
Short-term corporate bond	2014 Tranche 1 Short-term corporate bond	60.00	To replenish working capital	2014/12/26	2015/12/26	365	6.50%	
	Sub-total	60.00						
	Total	274.10						

The denomination and issue price of the aforementioned subordinated bonds and short-term corporate bond are both RMB 100 per unit.

On 8 December 2014, the Board of the Company proposed the issuance of corporate bonds with a total scale of not over RMB5.5 billion and not exceeding 40% of the net asset of the Company as at the end of June 2014. The Company will apply for the listing and trading of the corporate bonds at SSE. Funds raised from the issuance of corporate bonds shall be used for replenishing the working capital of the Company. The resolution on corporate bonds is valid for 12 months from the date of passing of such resolution at the general meeting. On the same day, the Board of the Company proposed the issuance of short-term financing bonds. The balance of outstanding short-term financing bonds shall not exceed 60% of the net capital of the Company and be subject to the limit approved by the People's Bank of China. The resolution on short-term financing bonds is valid for 2 years from the date of passing of such resolution at the general meeting. On 26 March 2015, the aforementioned resolutions on the issuance of corporate bonds and short-term financing bonds were considered and approved at the first extraordinary general meeting of the Company in 2015.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

VI. PLEDGE OF ASSETS

The Company has no pledge of assets.

VII. BUSINESS INNOVATION AND ITS INFLUENCE AND RISK CONTROL

(i) Business Innovation

During the Reporting Period, the Company was granted the qualifications for various new business, including the commencement of consumer payment service on client securities funds on a pilot basis, Internet securities business on a pilot basis, OTC income receipt business on a pilot basis, custodian service for securities investment fund, market-making business of the national shares transfer system, gold spot contract agency business and Hong Kong Stock Connect business transaction. Meanwhile, the Company launched various application type innovative products with originality: small-amount standardized dealer-quoted securities repurchase (“Xin Yi Yu”) (“鑫易雨”) and the standardized IPO dealer-quoted securities repurchase (“Xin Xin Yu”) (“鑫新雨”).

During the Reporting Period, the Company vigorously launched various innovative businesses. Two projects were completed and two projects were under application for the asset securitization business. Agricultural Bank of China, to which the Company acted as the co-lead underwriter, successfully issued RMB40 billion preference shares in China, which was the first project of preference shares issuance in China. After being granted the qualification of New OTC Board market-making business and becoming the first batch of market-making brokers, the Company commenced market making for four companies. The Company established the custodian department, with the size of assets in custody exceeding RMB4 billion. The Company improved the system of prime brokerage business, currently providing services including brokerage service, technical support service, product sales agency service, margin financing and securities lending service, other financing services, custodian service, outsourcing service and customer service. The business scale of “Daily Profits day” (“天天利”), the dealer-quoted bond repurchase business of the Company, ranked the first in the market. As approved by SSE, the Company was among the first batch of pilot securities brokers for Shanghai-Hong Kong Stock Connect. The Company kicked off the business of treasury bond futures and will attempt to launch businesses including the RMB interest rate swap business next.

(ii) Risk control of business innovation

To ensure the safe operation of its innovative businesses, the Company has actively adopted various risk control measures to implement effective risk management, including:

1. Making preparation for the initial risk management

During the initial stage of development of innovative businesses, the risk management departments of the Company has actively co-operated with the relevant business departments in researching on the risks of innovative businesses. It has participated in the entire process of risk assessment, design of risk control procedures, establishment of risk control indicators, formulation of risk management ancillary system, formulation of the risk disposal plan and the establishment of corresponding risk management information system, in order to provide a sound foundation for the safe operation of innovative business.

2. Establishment of a sound risk management system and procedures

On the basis of the integrated systems such as the risk management policies and measures of the Company, and various risk management measures on market, credit, operation and liquidity, the Company has formulated a series of risk management guidelines, risk management rules and risk management procedures for specific innovative businesses to specify the standards of risk control of business and regulate the risk management procedures of business. Meanwhile, with reference to industry trend, regulatory requirements and the actual development of business, the Company has continued to revise and improve the risk management system and procedures to ensure the prevention of business risk and improvement of operational efficiency.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

3. Improvement of the three-tier authorization management

The Company has established and continuously improved the risk authorization management system with the three-tier authorization model (from general meeting to the Board, from the Board to the President and from the President to various business lines) as its core. The Company places great emphasis on risk authorization of innovative businesses. It has first conducted a comprehensive risk assessment in respect of the types of innovative business and determine the level of authorization based on its risk characteristics. The specific risk authorization has been formulated through indicators such as business scale, stop-loss limit, risk exposure and concentration. In the course of business development, the risk management department and the relevant business departments have strictly implemented independent risk control management to track and analyse the execution of authorization and to discover and handle risks in a timely manner. Meanwhile, relevant authorizations have been adjusted and improved promptly according to the changes in risk level of innovative businesses at different development stages in order to meet the needs of business development and risk management.

VIII. RISKS AFFECTING THE OPERATION OF THE COMPANY AND MEASURES TAKEN

Major risks affecting the operation of the Company include market risk, credit risk, liquidity risk and operational risk. In 2014, the Company adopted effective measures to actively address and generally prevent substantial risk events and ensure the safety of business operation of the Company.

(i) Market risk

Market risk is originated from the fluctuation of the fair value or future cash flows in respect of financial instruments held or to be held by the Company resulting from the changes in securities price, interest rate and currency rate, including price risk, interest rate risk and currency rate risk.

1. Price risk

Price risk is originated from the loss of the Company's position caused by the fluctuation of the fair value of future cash flows of financial instruments due to the changes in securities prices (other than changes resulting from interest rate risk or currency risk).

In 2014, the domestic securities market reversed economic downturn which lasted for years and reinvigorated. By the end of 2014, the SHCI closed at 3,235 points, increased by 52.87% from 2,116 points by the end of 2013. By the end of 2014, the SZCI closed at 11,015 points, increased by 35.62% from 8,122 points by the end of 2013. The price risk of the Company was mainly derived from the positions held in businesses such as proprietary investment, and market making business. In order to control risks effectively, the Company mainly adopted the following measures: Firstly, by creating securities investment portfolios, the Company made use of financial derivatives to carry out effective risk hedging. Secondly, the risk exposure of the Company's positions was managed on a unified basis. Through the defensive lines of the internal risk division of the business department and the risk management department, the Company implemented independent risk monitoring, analysis and reporting to discover and handle risks in a timely manner. Thirdly, the Company implemented the risk authorization management to control indicators such as the scale of risk exposure, concentration and limit of loss, and made adjustments irregularly to respond to the ever-changing market conditions, business conditions or risk tolerance. Fourthly, the Company adopted quantitative means such as VaR and combined with other methods such as scenario analysis and stress test to assess the absolute and relative risks of the portfolios.

Generally speaking, the overall price risk of the Company in 2014 was relatively stable. No substantial price fluctuation which may result in any major loss suffered by the Company has occurred in any securities held by the Company.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

2. Interest rate risk

Interest rate risk refers to the risks resulting from the change in interest rate. The assets of the Company exposed to interest rate risks mainly include bank deposits, clearing settlement fund, refundable deposits and bonds, etc. The Company used sensitivity analysis as the main instrument for monitoring interest rate risk. Meanwhile, the Company reduced the interest rate risks of portfolios by allocating the duration and convexity of its investment portfolios of fixed income.

In 2014, the overall risk of the Company from interest rate was under control.

3. Currency rate risk

Currency rate risk is originated from the fluctuation of the fair value or future cash flows, of financial instruments resulting from the change of currency rates of other countries. Given that the Company settles most of its transactions in RMB and the proportion of foreign currency assets, liabilities and proceeds of the Company in its total assets, liabilities and proceeds is small, the currency risk actually encountered by the Company is not significant. Nevertheless, with the gradual expansion of our overseas businesses as well as the progress in the internationalization of RMB, the currency risks of the Company will increase gradually. The Company will conduct concurrent studies and adopt reasonable and effective measures to hedge and manage currency risks.

(ii) Credit risk

Credit risk refers to the risk of incurring losses resulting from the failure of the borrower or counterparty to timely fulfill its contractual obligations. The Company managed credit risk mainly by evaluating credit risk in advance and following up credit risk afterward. On one hand, the Company has established counterparty credit-rating and credit-limit management mechanism to determine the threshold for entry of the business and client's credit qualification differentiation standards and adjusted the credit limit of the client based on its credit rating. On the other hand, the Company regularly evaluated and monitored the credit risks to prevent excessive risk concentration, continuously traced significant events that would affect clients' credit, closely monitored the credit exposure of the client, and identified, reported and dealt with risk of default as early as possible.

In 2014, the financing business represented by margin financing and securities lending experienced a rapid growth. The potential credit risk faced by the Company will further increase.

(iii) Liquidity risk

Liquidity risk refers to the risk resulting from the failure to make payment, settlement, reimbursement, redemption and to meet obligations in connection with financial liabilities due to shortage of funds during the ordinary course of business of the Company.

To cope with and manage liquidity risk effectively, the Company has strengthened the real-time monitoring and management of usage of large amounts of funds in order to achieve centralized fund allocation and coordinated liquidity risk management; included the requirements such as debt financing and leverage ratio in the risk authorization and gradually established the liquidity risk indicator system; monitored and reported the liquidity of the Company on a daily basis in order to make risk warning in a timely manner, conducted regular and irregular stress tests to analyze and evaluate the level of liquidity risk; continued to optimize asset-debt structure to build a multi-level liquidity reserve system; and achieved the diversification of capital replenishment channels through accessing the money market, capital market and bank credit.

In 2014, the overall liquidity risk of the Company was under control. Various financial indicators had excellent performance. The liquidity risk control indicators met regulatory requirements continuously.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

(iv) Operational risk

Operational risk refers to the risk of incurring losses resulting from the inadequacy or defect of internal process, personnel or systems, or from such external events as natural disaster and fraud. In order to manage operational risk effectively, the Company has established a well-established internal control system and regularly carried out effective assessment of internal control and compliance management throughout the Company. The risk management department has a designated team for operational risk management to assist with the regulation and optimization of relevant business procedures, identify, analyze and monitor operational risks, and to implement the unified management of risk events and data loss. Besides, the Company has constantly strengthened the suitability of behaviors and standardization of operations of personnel at all positions through internal training, supervision and assessment, and promoted and optimized the functions of the systems.

In 2014, the overall operational risk of the Company was under control.

IX. CONSTRUCTION OF RISK MANAGEMENT SYSTEM

The Company has built up a multi-level risk management framework covering the Board of Directors, special committees under the Board of Directors, the Supervisory Committee, the general manager (president) and other senior management officers, chief risk officer/compliance officer, the risk management department and functional departments, business departments and branches.

(I) the Board of Directors and its Special Committees

Within the authorization granted at the general meeting, the Board of Directors is the highest decision-making authority for risk management of the Company. The Board of Directors performs its function of risk management through the Risk Management Committee and Audit Committee.

1. Risk Management Committee

The Risk Management Committee under the Board of Directors is responsible for assisting the Board in formulating strategies, policies and the basic risk management and internal control system of the Company. The Risk Management Committee proposes the Company's overall risk quota, evaluates events with significant risks and assesses the implementation of risk management measures and the performance of the relevant senior management officers. It proposes risk management improvement advices to the Board periodically; and supervises the senior management officers to implement the risk management policies.

2. Audit Committee

The Audit Committee (i) supervises the disclosure of the Company's accounting information and other major issues, reviews the critical accounting policies and their implementation and monitors the implementation of the Company's major financial decisions and annual budget; (ii) reviews and evaluates the Company's internal control system; (iii) formulates the Company's internal audit development plans and approves the annual audit plan; (iv) controls and manages connected transactions under the leadership of the Board; (v) oversees the implementation of the rectifying measures by the management in response to the audit opinion; (vi) inspects, monitors and evaluates the Company's internal audit work; (vii) makes recommendations to the Board on the appointment and removal of the external auditors, approves the remuneration and the terms of appointment of the external auditors and deals with any relevant issues regarding the resignation or removal of external auditors; (viii) inspects and monitors the independence and objectivity of the external auditors and the effectiveness of the audit procedure; (ix) develops and implements the policy on engaging external auditors to provide non-audit services and (x) carries out other matters as authorized by the Board.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

(II) Supervisory Committee

The Supervisory Committee supervises the performance of risk management duties by the Board of Directors, the general manager (president) and other senior management officers pursuant to relevant laws and regulations and the Articles of Association.

(III) General Manager (President) and Other Senior Management Officers

The general manager (president) and other senior management officers are the executive body of our risk management system, and their specific duties for risk management include: consistently implementing strategies, objectives and policies of the Board of Directors on risk management; implementing the objective on risk limits given by the Board of Directors and assigning the same to all business divisions; organizing the implementation of the identification and assessment of various risks; establishing effective risk management mechanism and risk management system; timely correcting defects and problems existing in risk management; and establishing a contingency plan for the procedures of dealing with material risks, etc.

The chief risk officer/compliance officer is appointed by the Board of Directors to be in charge of the risk management and compliance of the Company. He is responsible for supervising the implementation of risk management policies and procedures, organizing risk management activities and establishing internal control systems, as well as examining, supervising and inspecting the legality and compliance of business operation management. The chief risk officer/compliance officer reports potential illegal activities and non-compliance to the Supervisory Committee, the Board of Directors, the president, regulatory authorities or self-disciplinary organizations.

(IV) Risk Management Department and Functional Department at Headquarter Level

1. Risk Management Department

The Risk Management Department of the Company is responsible for reviewing and evaluating risk of various businesses, as well as supervising the daily risk management activities of the business departments. Its primary duties include: drafting the authorization plan of risk management by the Board of Directors to the general manager (president); establishing and improving the risk quota management system of the Company to allocate risk quotas to business lines through the general managers (president) authorization, and supervising and inspecting the implementation of risk quotas by the business lines; identifying, analyzing, evaluating and examining the market risks, credit risks and operational risks of business lines and providing support for decision-making; monitoring operational risk and net capital risk of the Company and making recommendations on risk management; conducting independent risk control on each business line to discover and handle risks in a timely manner; reporting any risks discovered in the course of risk management promptly, making risk management recommendations and evaluating the risk management performance of the business lines.

2. Legal Compliance Department

The Legal Compliance Department of the Company is responsible for identifying, assessing, monitoring supervising, inspecting and reporting the legal and compliance risks of the Company, as well as providing professional legal support and services to various departments to ensure the compliance of the business operation. Its specific responsibilities include: monitoring and timely interpreting the changes in external laws and regulations, assessing the impact of such changes on our compliance management, and providing recommendations to relevant departments for revising and improving their management system and business procedures; conducting compliance reviews on our internal management systems, significant decision-making, new products and new business plans; providing legal support and services as well as compliance advice to various departments, branches and subsidiaries; supervising and inspecting the compliance of our business operations and management, as well as the business practices of our employees; establishing and improving the legal compliance mechanisms for the information isolation, anti-money laundering measures, anti-corruption measures and related sanctions, and supervising the implementation thereof; and reviewing contracts, managing internal authorization, litigation and arbitration.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

3. Audit Department

The Audit Department is under the leadership of the Audit Committee under the Board of Directors. It conducts independent audit supervision and evaluation of the business operation and financial revenues and expenses, corporate governance and internal control, implementation of annual budget, key managers departing from the relevant departments and organizations to which they belong; organizes self-assessment of internal control system of the Company; daily monitoring of the use of proceeds; submits management proposals timely to the Audit Committee and senior management officers with respect to issues identified during the auditing process; assists the Audit Committee in the control and daily management of connected transactions and in the verification and handling of material errors in the information disclosure of the annual report.

4. Functional Management Departments

The functional management departments of the Company at the headquarter level include the Finance and Planning Department, Settlement Management Department, Human Resources Department, IT Department and Strategy and Research Department. In addition to providing back-office support to our various businesses, they also identify, evaluate, monitor and report such risks as liquidity risk, human resources attrition risk, IT risk, securities settlement risk and external investment risk.

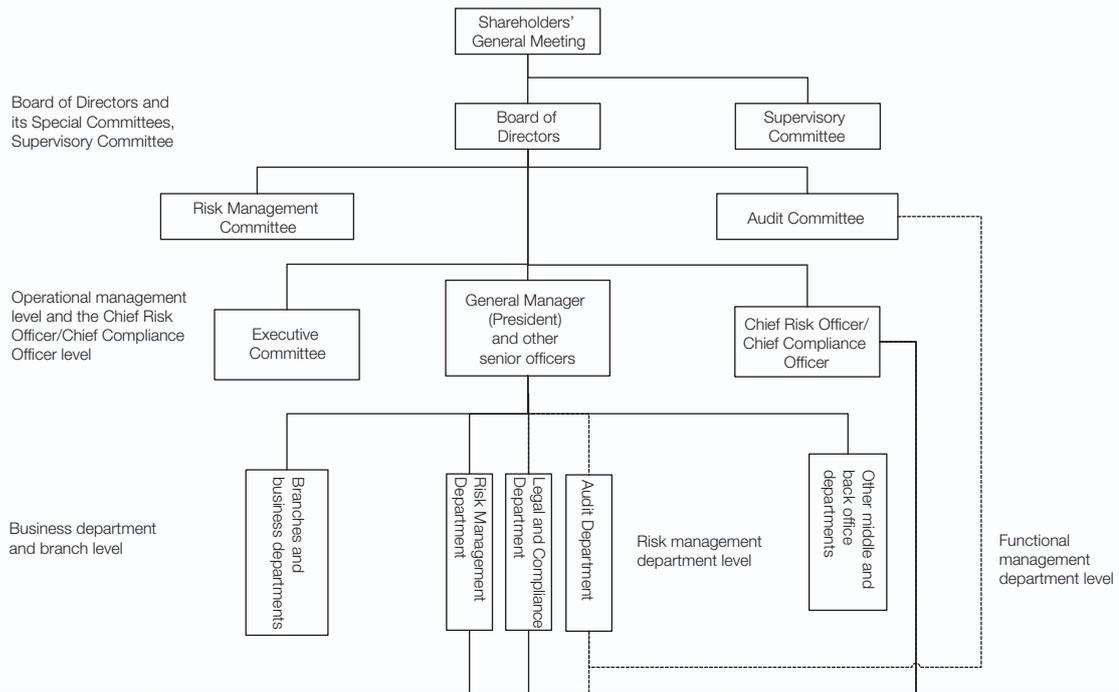
(V) Risk Management at Branch Level

1. Branch Executives

The general manager of each branch is responsible for the branch's risk management, and is primarily responsible for the branch's operational safety, risk management and compliance management.

2. Compliance Managers and Regional Compliance Officers

The Company has a compliance manager at each branch, who is responsible for compliance management of the branch. The Company has 22 compliance officers in 21 regions reporting directly to the headquarter, who are responsible for conducting inspection and training.





SECTION VI DIRECTORS' REPORT

I. ANALYSIS OF MAJOR BUSINESS

Details are set out in "Analysis of Major Business" in section V of this report.

II. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PLAN

(i) Special dividend and profit distribution for 2013

1. Special Dividend

At the first extraordinary general meeting in 2013 of the Company, the "Resolution on the Profit Distribution in the Period from the IPO Reporting Financial Statements Base Date to the Issue Date" was passed, approving the distribution of a cash dividend (the "Special Dividend") to all shareholders registered on the Company's register of members as at the last day of the calendar month immediately prior to the completion of the IPO of the Company (the "Special Dividend Date", being 30 April 2013) for the period from 1 January 2013 to the Special Dividend Date. The amount of the Special Dividend was determined based on the audited and unconsolidated net profit of the Company calculated under the PRC GAAP or IFRSs (whichever is lower), after the appropriations of 10% each to the statutory provident fund, the general risk reserve and the transaction risk reserve.

The audited and unconsolidated net profit of the Company for the period from January to April 2013 calculated under the PRC GAAP and IFRSs were RMB606 million. The profit available for distribution was RMB424 million. On 23 May 2014, the Company completed the distribution of Special Dividend to shareholders registered on the register of members on the Special Dividend Date.

2. Profit distribution for 2013

The "Resolution on the 2013 Profit Distribution Plan" was passed at the 2013 annual general meeting of the Company held on 12 June 2014, pursuant to which the Company was approved to pay the 2013 final dividend of RMB0.62 per ten shares (inclusive of tax), amounting to RMB467 million in total. For the distribution of 2013 final dividend to holders of H Shares, such dividend was paid to shareholders whose names appeared on the H Share register of members of the Company on 25 June 2014.

The cash dividend is denominated and declared in RMB, and payable in RMB and in HK dollars to holders of Domestic Shares and holders of H Shares, respectively. The actual amount distributed in HK dollars was calculated based on the average benchmark exchange rate of RMB against HK dollar as announced by the People's Bank of China in five working days prior to the date of the 2013 annual general meeting, (i.e. RMB0.79402 against HK\$1.00). Accordingly, the 2013 final dividend is HK\$0.07808 per H Share (inclusive of tax). The distribution of 2013 final dividend of the Company was completed on 8 August 2014.

(ii) Profit distribution plan for 2014

As audited and confirmed by the auditors, the Company recorded net profit of RMB3,683,038,446.41 for 2014.

According to the requirements of the Company Law, Securities Law, "Financial Rules for Financial Enterprises" and the Articles of Association, profit distribution in respect of the undistributed profits for 2014 will be made in accordance with the following arrangements:

1. Allocating 10%, being RMB368,303,844.64 to the statutory reserve;
2. Allocating 10%, being RMB368,303,844.64 to the general risk reserve;
3. Allocating 10%, being RMB368,303,844.64 to the transaction risk reserve;
4. The profits available for distribution to shareholders for the year will be RMB2,578,126,912.49.



SECTION VI DIRECTORS' REPORT

The undistributed profit of the Company at the end of the year was RMB8,105,041,089.03, after adding the distributable profit aforementioned and the undistributed profit of RMB5,994,224,219.47 at the beginning of the period and deducting the dividend of RMB467,310,042.93 resulting from the Implementation of the 2013 profit distribution plan by the Company in 2014. Taking into account of the Company's long-term development and the interests of investors, the following distribution plan is proposed for distribution:

On the basis of a total share capital of 7,537,258,757 (including Domestic Shares and H Shares) as of 31 December 2014, the Company will distribute cash dividends of RMB1.60 per 10 shares (inclusive of tax) to holders of Domestic Shares and H Shares who are registered in the Company's register of members on the record date. The distributed cash dividends amount to RMB1,205,961,401.12 in total, representing 46.78% of the profits available for distribution to shareholders for 2014. The undistributed profits of the Company of RMB6,899,079,687.91 after this cash dividends distribution will be carried forward to the next year.

The cash dividends will be denominated and declared in RMB, and paid in RMB and in Hong Kong dollars to holders of Domestic Shares and holders of H Shares, respectively. The actual amount distributed in Hong Kong dollars will be calculated based on the average benchmark exchange rate of RMB against Hong Kong dollar announced by the People's Bank of China the five working days prior to the date of the 2014 annual general meeting of the Company.

Subject to approval of the resolutions relating to the 2014 profit distribution plan by the general meeting, the cash dividends will be paid within two months from the date of the general meeting.

The Company will announce in due course the date for the 2014 annual general meeting and will give notice on the closure of its register of members in relation to the right to attend and vote at the 2014 annual general meeting. The Company will make further notice on the base date, the closure date of its register of members and date of dividend payment in relation to the distribution to the dividends of H Shares.

III. ISSUANCE OF SHARES AND UTILIZATION OF PROCEEDS

(i) Utilization of proceeds

As approved by the CSRC (Zheng Jian Xu Ke [2013] No. 325), the Company issued 1,500,000,000 H Shares at an offer price of HKD5.3 per share in May 2013 through public offering, and issued 37,258,757 H Shares upon the exercise of over-allotment option at the price of HKD5.3 per share, both of which have been listed on the Hong Kong Stock Exchange, raising a total proceeds of HKD8,147,471,412.10. The actual proceeds raised by the Company in this public offering of H Shares, together with the related interest income, amounted to HKD8,147,533,679.63 (equivalent to RMB6,498,257,233.72). After deducting issuance expenses equivalent to RMB214,098,999.21, the net proceeds raised by the Company was a sum equivalent to RMB6,284,158,234.51.

According to the description on the use of proceeds from the global offering (including proceeds from the exercise of the over-allotment option) as set out in the H share prospectus of the Company, the Company intends to use the proceeds in the following proportions:

1. Approximately 60% to be used to develop our margin financing and securities lending business
2. Approximately 25% to be used to develop our capital-based intermediary securities trading business
3. Approximately 15% to be used to expand our capital investment business subject to effective risk control



SECTION VI DIRECTORS' REPORT

As at the End of the Reporting Period, the Company has utilized RMB6,189,647,565.79 of the proceeds (including deposit interest) on an accumulative basis. The balance of proceeds in accounts was equivalent to RMB95,284,964.02. The remaining unutilized proceeds from last time include the amount subsequently required to be used for the purposes stated in the prospectus and any outstanding issuance expenses. The deposit and actual use of proceeds from the offering of H Shares have been reviewed by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

(ii) Use of proceeds for promised projects (RMB'000)

Name of project	Change of the project or not	Amount proposed to be invested	Amount invested for the year	Actual cumulative investment amount	In line with planned schedule or not	Project progress	Anticipated earnings	Accumulated earnings generated	In line with anticipated earnings or not	Explanation for failure to reach the planned schedule and earnings	Reason for changes and explanation on the change of procedures
Margin financing and securities lending business	No		0	3,686,900	Yes		-	419,055	-	-	-
Capital-based intermediary securities trading business	No	6,284,138	33,614	1,570,085	Yes	98.50%	-	217,610	-	-	-
Capital investment business	No		42,662	932,662	Yes		-	249,412	-	-	-

(iii) Explanation on the change of use of proceeds

There is no change of use of proceeds.

IV. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

None of the Directors or Supervisors has entered into a service contract with the Company or any of its subsidiaries which cannot be terminated within one year without compensation (other than statutory compensation).

V. DIRECTORS' AND SUPERVISORS' INTEREST IN MATERIAL CONTRACTS

During the Reporting Period and as at the End of the Reporting Period, no contracts of significance to which the Company or its subsidiaries was a party and in which a Director or Supervisor of the Company had a material interest, whether directly or indirectly, has been entered into.

VI. DIRECTORS' INTERESTS IN BUSINESSES THAT COMPETE WITH THE BUSINESS OF THE COMPANY

The Directors did not have any interest in businesses that compete with the business of the Company.



SECTION VI DIRECTORS' REPORT

VII. RIGHTS OF THE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2014, none of the Directors, Supervisors or their respective spouses or minor children under 18 years of age were granted with rights or had exercised any such rights to acquire benefits by means of acquisition of shares or debentures of the Company. Neither the Company nor any of its subsidiaries were a party to any arrangements to enable the Directors, Supervisors or their respective spouses or minor children under 18 years of age to acquire such rights from any other body corporate.

VIII. INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES IN THE COMPANY AND ITS ASSOCIATED CORPORATIONS HELD BY THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OFFICERS

Based on the information available to the Company and so far as the Directors of the Company are aware, as at 31 December 2014, none of the Directors, Supervisors and chief executives of the Company has interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) (i) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) which are required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or (iii) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

IX. MANAGEMENT CONTRACTS

Except for employment contracts of employees, the Company did not enter into any contracts nor had any existing contracts in respect of all or any significant parts of management and administration of business of the Company during the Reporting Period.

X. OTHER DISCLOSURES

(i) Pre-emptive rights

The Company currently has no arrangements in respect of pre-emptive rights according to the provisions of PRC laws and the Articles of Association.

(ii) Sufficient public float

As at the latest practicable date prior to the printing of this report and based on the information available to the Company and to the knowledge of the Directors, the Company has a public float of 22.44%, which satisfies the minimum percentage prescribed in the conditions imposed in the waiver from strict compliance with Rule 8.08 of the Listing Rules granted to the Company by the Hong Kong Stock Exchange upon listing of the H Shares.

(iii) Reasons for and impact from changes of accounting policies, accounting estimation or correction of major accounting errors

Pursuant to the requirements of the Standard No. 2 issued by the Ministry of Finance, the equity investments made by the Company in the original investees of which it does not have any control, common control or significant influence, which do not have a quoted price in an active market and whose fair value cannot be measured reliably will be reclassified from "long-term equity investments" to "available-for-sale financial assets", and a retrospective adjustment will be made to the opening balance of such equity investment.

As at 31 December 2014, as a result of implementing the Standard No. 2, the carrying amount of the long-term equity investments and available-for-sale financial assets were both influenced by RMB278 million in the consolidated financial statement; the carrying amounts of the long-term equity investments and available-for-sale financial assets of Galaxy Capital at the beginning of 2014 were retrospectively reduced and increased by RMB295 million and RMB295 million, respectively, in the consolidated financial statements. The adjustments above had no impacts on the net profit and the owners' equity attributable to the parent company for the 2014 and comparative period.



SECTION VI DIRECTORS' REPORT

(iv) Tax relief and exemption information for holders of H Shares

Pursuant to the “Notice of the State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No.045” (Guo Shui Fa [2011] No.348), the dividend received by overseas resident individual shareholders from the issuance of shares in Hong Kong by domestic non-foreign invested enterprises is subject to the payment of individual income tax according to the items of “interests, dividend and bonus income”, which shall be withheld by the withholding agents according to relevant laws. The overseas resident individual shareholders who hold the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they reside and China or the tax arrangements between Mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax agreements and tax arrangements is generally 10%, and for the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividends, generally withhold individual income tax at the rate of 10%, and are not obligated to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for citizens from countries which have entered into tax agreements/arrangements stipulating a tax rate of lower than 10%, the withholding agents will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the tax authorities, the excess tax amounts withheld will be refunded; (2) for citizens from countries which have entered into tax agreements/arrangements stipulating a tax rate of higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividends, and are not obligated to file an application; (3) for citizens from countries without tax agreements or are under other situations, the withholding agents will withhold the individual income tax at a tax rate of 20% when distributing dividends.

Pursuant to the “Notice of the State Administration of Taxation on Issues Concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H Share Holders which are Overseas Non-resident Enterprises” (Guo Shui Han [2008] No.897), a PRC resident enterprise shall, when distributing dividends for 2008 and for the years afterwards to H shareholders who are overseas non-resident enterprises, withhold the enterprise income tax at a flat rate of 10%.

(v) Reserves and distributable profit reserves

For the movement of reserves and distributable profit reserves, please refer to the “Consolidated Statement of Changes in Equity” and the notes to the financial statement of this report.



SECTION VI DIRECTORS' REPORT

(Vi) Major clients and suppliers

The Company provides services for various types of individual and institutional clients in many industries. The customers of the Company include multinational corporations, medium and small-sized enterprises, high-net-worth clients and retail clients. Major clients of the Company are located in the PRC. The Company expects the number of overseas clients to increase as it expands to overseas markets. In 2014, the revenue derived from the top five clients of the Company accounted for 2.84% of its revenue and other income.

By virtue of the nature of the Company's business, it has no major suppliers.

(Vii) Property and equipment

For information concerning property and equipment of the Company as at the End of the Reporting Period, please refer to the financial statements of this report and their accompanying notes.

(Viii) Performance of Social Responsibilities

During the Reporting Period, the Company has adhered to the business idea of complying with laws and regulations, abided by social moralities and commercial ethics, boosted the construction of enterprise culture effectively, actively undertaken its responsibilities towards the state, employees, clients and other stakeholders, while conscientiously safeguarding the rights and interests of shareholders and striving to maintain and increase the value of state-owned assets so as to promote the coordinated and sustainable development of the Company and the society.

1. The Company advocates healthy enterprise culture

- (1) Devote much effort in the innovation of advertising enterprise culture and actively implement enterprise culture to create a favorable environment for the reform and development of the Company. Firstly, the Company has organized 12 lectures on enterprise culture and published seven times in the column of "Sharing of Good Articles". Secondly, the Company has regulated the registration and use of its trademarks and strengthened the registration and management of such trademark, which further enhances the protection of intangible assets of the Company. Thirdly, the Company has improved the usage of its commercial word library. Fourthly, the Company has improved its VI (visual image) management and made timely amendments to the Visual Identification Management Manual to standardize the use and management of the Company's logo. Fifthly, the Company has spread enterprise culture and provided a communication platform for employees through its intra-company publication Galaxy, website, trade union and various levels of organizations.
- (2) Make full use of industry media and the Company's own platform to enhance brand advertisement, strengthen external communication and spread positive information through various forms and channels. Firstly, the Company makes full use of its website for publicity. Secondly, through active participation in the 10th Finance Expo in Beijing, attending of activities organized by associations, business chambers and policy research societies, and relevant media promotion, the Company has established a favorable brand image.



SECTION VI DIRECTORS' REPORT

2. The Company adheres to safety production and always places safety in transactions and maintaining market and social stability in the first place

- (1) Define duties, strictly assign responsibilities and carry out the principal responsibility system.
- (2) Strengthen the internal enterprise management, adhere to the principles of “prevention orientation, active prevention”, improve system and measures, and assign responsibilities.
- (3) Formulate emergency treatment measures, regularly carry out safety drills, and amend and improve emergency plans from time to time. Deal with different kinds of unexpected accidents and prevent any occurrence of events that affect the stability of the society.
- (4) Attach importance to the safe operation of the information system. According to the national and international best practice of information safety management systems and standards, the Company has formulated scientific, complete and practical safety management and production rules and regulations that are compatible to its business development, including the “Information Safety Protection Management Measures”, and the “Information System Operation and Maintenance Management Measures”, so as to develop information safety management and safety production in an efficient and standardised manner.
- (5) No major failure has occurred in the information system of the Company throughout 2014.

3. The Company safeguards the rights and interests of investors, emphasizes the education of investors and makes efforts to better serve investors

- (1) In order to better protect the rights and interests of investors and further enhance the self-protection awareness of investors, the Company organized an educational activity themed “Protecting my Investment,” in 2014. Taking into account the “Opinions on Further Strengthening the Protection of Legal Rights and Interests of Medium and Small investors in the Capital Market “ issued by the General office of the State Council, the Company will normalize and continue to provide investment education to remind investors at all times to protect their legal rights and interests and to increase their ability to protect themselves against risks of financial fraud, which will assist investors in avoiding mistakes in investment and managing their investment risks.
 - ① In March 2014, the Company carried out the activity “Protecting my Investment—3·15 Investor Protection Promotion Month”, for the purpose of further strengthening the protection of investors. Through the launch of promotional activities in various channels and in different ways, the awareness of investors for protection of rights were enhanced.
 - ② In May 2014, the Company carried out the promotional activity “Protecting Legal Interests of Investors — Prevent and Combat Illegal Fund Raising” for the purpose of effectively raising investors’ awareness against and their ability to identify illegal fund raising. Through this activity, investors were advised of the approaches and harms of illegal fund raising and illegal securities activities. They were reminded to avoid the risks of illegal fund raising and illegal securities activities. It had the positive effect of promoting the enhancement of investors’ self-protection capability against illegal fund-raising, cultivating the idea of rational investment and facilitating a better understanding of securities market.



SECTION VI DIRECTORS' REPORT

- ③ In October 2014, the Company organized an activity themed “Protecting the legal interests of investors — Promotion Month of Combating Illegal Securities Activities” in order to protect the legal rights and interests of investors, enable investors to fully understand the characteristics of conducting illegal securities activities through media such as Internet, understand the form of protection of rights, and further enhance investors’ ability to identify illegal securities activities and their prevention awareness. Through the themed promotion activity, the Company significantly increased the investors’ ability to identify illegal securities activities, thus strengthening their awareness against illegal fund raising and their ability to identify and avoid fraud.
 - ④ In November 2014, the Company, as a co-organizer, participated in the release of public service announcement “Combating Illegal Securities Activities” led by the China Association of Securities in order to be in line with the activity “Promotion Month of Protecting the Legal Rights and Interests of Investors and Combating Illegal Securities Activities. Through the release of the public service announcement in channels, such as at the cultural exhibition gallery of Terminal 3 of the Capital International Airport, community show windows, bus shelters, buses, digital screen on subway, it showcased the social responsibility of the Company while distributing investment knowledge.
 - ⑤ To cope with the promotion of the “Shanghai-Hong Kong Stock Connect” business by SSE, the Company formulated the “Rules of Educating Investors of Hong Kong Stock Connect Business” and promoted the investor education for Shanghai-Hong Kong Stock Connect. The Company organized the printing of the promotion brochure “Investors Q&A for Shanghai-Hong Kong Stock Connect” and improved the content of investment education for innovative business from time to time through setting up the “Shanghai-Hong Kong Stock Connect Investment Education Module” in the “Investment Education Zone” on the Company website to give guidance to investors for active learning.
 - ⑥ To cope with to the consolidation of securities accounts, the Company confirmed the connected relationship with existing accounts, effectively protected the legal rights and interests of investors and conducted promotion and elaboration to investors. The company promoted the consolidation of securities accounts through channels such as the official website of the Company, transaction system and WeChat, a public platform, to give guidance to investors for understanding and learning.
- (2) The Company focused on appropriate sales and services and educated and served the investors.
- ① In July to September 2014, in order to protect the legal rights and interests of investors, the Company made all-rounded efforts to serve investors who suffered loss due to the false representation by Hirisun, and actively co-operated with institutions, including the China Association of Securities and Investor Protection Fund Incorporation Limited, in respect of the compensation made by Hirisun to ensure that eligible investors could receive compensation successfully according the compensation procedures.
 - ② According to the needs of suitability management for new businesses and new products, the Company formulated the “Implementation Rules of Suitability Management of Clients of Hong Kong Stock Connect Business of China Galaxy Securities Co., Ltd.” in 2014 and amended the “Implementation Rules of Suitability Management of Investors in National SME Share Transfer System of China Galaxy Securities Co., Ltd. (Trial)” and the “Implementation Rules of Suitability Management of Investors in Securities Market of China Galaxy Securities Co., Ltd.”



SECTION VI DIRECTORS' REPORT

- (3) The Company actively participated in the "I'm a Shareholder", "Accessing Listed Companies" and other investor education activities organized by the SSE and the SZSE.

The Company regularly promoted activities through various channel and by various means, and promoted the importance of the rights of shareholders to investors. It promoted the awareness of shareholders and the ideas of rational investment and value investment among investors. Through on-site visits of listed companies, investors were stimulated to participate in activities, which enabled investors to further build up their awareness of shareholders' rights and strengthen their self-protection ability.

- (4) The Company offered cooperation in respect of the investor surveys conducted by China Securities Investor Protection Fund Corporation Limited.

In 2014, the Company completed the survey of investors' confidence, the survey of market hot spots and various special or integrated surveys as scheduled in accordance with the sampling plan for investors surveys and survey matters formulated by China Securities Investor Protection Fund Corporation Limited, which provided support to regulatory authorities in understanding the expectation of investors and research on securities market.

4. The Company actively absorbed talents based on its business development to boost employment.

- (1) In accordance with the needs of society in combining research with practice, the Company actively invited college students to work as interns at the Company to raise their practical abilities and their competitiveness. In 2014, 231 college students have worked as interns at the Company.
- (2) The Company actively responded to the call of the SASAC and the Ministry of Education in the "Notice Concerning State-owned Enterprises Employing College Graduates in 2013-2014" (Guo Zi Ting Fa Fen Pen [2013] No. 37), and employed 119 college graduates in 2014.
- (3) In order to support the strategic transformation of the Company and enhance the core competitiveness of key businesses of the Company, the Company continued to recruit sponsor representatives, analysts, senior sales managers, senior investment managers and other high-end talents crucial to the Company's business development.
- (4) The Company established a long-term talent cultivation system to expand the professional development channels of employees and to build a professional, international, marketized team consisting of key talents and backup talents through cultivation in various channels.

5. The Company adheres to the people-oriented philosophy and uses marketization as a guide to protect the legal rights and interests of employees and to boost scientific management of human resources.

- (1) In the course of deepening reform, the Company balances the strength of reforms, the pace of development and the bearing ability of employees. While keeping posts and remuneration of employees relatively stable, the Company employs a group of young and excellent talents by two-way selection and public recruitment, ensuring that the Company has basically established a marketized employment system of "able to move up and down, able to go in our out" and maintained smooth running of operations and the stability of employees while avoiding layoff under normal trading condition. This reflects the "people-oriented" philosophy and high sense of social responsibility of the Company.
- (2) The Company continued to advocate the philosophy of "back desk serving front desk, head office serving branches, and front desk and branches serving clients". Guided by this philosophy and through reforms on a pilot basis, the Company has boosted the internal marketization reform of the back desk, which obviously increased the service consciousness and the idea of market and client orientation, and further improved customer service abilities.



SECTION VI DIRECTORS' REPORT

- (3) The Company carried out occupational education and training among employees to help them attain individual improvement and career development and to contribute to the building up of talented teams in the securities industry. To adapt to the requirements of listed companies, the Company has carried out ten sessions of comprehensive quality trainings covering all employees of the Company, with a training coverage rate of 100%. The training contents cover industry trend, company strategy, business quality, professional capability and professional ethics. Through training, the Company has effectively improved the comprehensive quality of the employees, and thus increased customer satisfaction and income contribution ratio and realized “triple win” for clients, employees and shareholders.
- (4) The Company actively boosted the construction of the supplementary guarantee system such as annuity. The Company's annuity plan began to operate in August 2011. Over 6,000 employees have taken part in the plan. At present, the plan is implemented smoothly with stable proceeds. The implementation of the Company's annuity plan reflects the Company's protection and care for its employees, provides good incentive to employees and enhances employees' confidence and expectation in the sustainable development of the Company, which further increases the cohesion of the Company. Furthermore, the Company provided supplementary medical coverage for all employees.
- (5) The Company enhanced the construction of the employees' representative conference system to protect the lawful rights and interests of employees effectively. Firstly, before convening an employees' representative conference to review the rules and regulations, the labor union of the Company solicited opinions from all employees' representatives by mail on the management systems formulated by the Company, such as the “Measures for the Administration of Attendance and Leave” and the “Interim Measures for the Administration of Staff Retirement” in order enable the employees to fully and deeply understand any rules and regulations amended by the Company. The Company prepared a summary based on the feedback from representatives, which was submitted to the party committee of the Company in the form of a report and requested the human resources department to explain what were included in the report and the reasons for not doing so at employees' representative conferences. Such feedback was implemented after it was voted and approved by employees' representatives. Secondly, the Company actively carried out assistance and relief activities. At the arrival of the 2014 Spring Festival, the Company granted subsidies to the seriously ill, internal retirees, retirees, labor role models in difficulty and employees in special difficulty. The Company also sent its greetings through various means to employees for their birthdays, weddings and births of children. Thirdly, the Company actively carried out group activities in arts and sports to effectively promote the building up and development of enterprise culture. The Company organized labor competitions, study and learning, and marketing competitions, as well as group activities such as festival greetings, Chinese New Year gathering, cultural and entertainment activities, sports and fitness. In 2014, the Company held the “First Basketball Competition of the Company”, the “Advanced Poker Competition of Beijing Region”, the walking activity for all employees of the Company “Galaxy People Walk – I Am Healthy, I Am Happy”, exhibition of outstanding calligraphy, painting and photography. The Company organized teams to participate in competitions, including the “National Finance System Bridge and the “Advanced Poker Competition” and the “2nd Track Games for Employees of China Investment Corporation” organized by the Sports Association of Chinese Finance, China Investment Corporation and Securities Association.



SECTION VI DIRECTORS' REPORT

6. The Company actively took part in charities.

The Company donated RMB2 million to the designated poverty reduction region, Jingning County in Gansu Province, for the construction of “Galaxy Experimental Primary School”, “Galaxy Poverty Reduction Training Center”, “Galaxy Modern Apples”, advancement project of the whole village and for the project of assisting outstanding students in poverty. The Company continued to improve the layout of “Galaxy Primary Schools” in minority regions, with 2 new “Galaxy Primary Schools” being built in 2014. The Company donated RMB1 million for the construction of “Mingshui Town Galaxy Primary School ” in A'er Shan of Inner Mongolia Autonomous Region and updated 30 computers to establish the “Galaxy E-Classroom” for Mingshui Town Galaxy Primary School in A'er Shan, which built the campus network. The Company donated RMB500,000 (a total of RMB1 million for the project) for the construction of the teaching complex of Shuang Feng “Galaxy Primary School” in Yongshan County, Yunnan Province, the place which was severely damaged in earthquake, and organized the donation of 1,100 books to the libraries of Galaxy Primary Schools. To broaden the horizon of outstanding students at the Galaxy Primary Schools in minority regions, the “National Galaxy Primary Schools – Galaxy Dream” Summer Camp was successfully held in July 2014. 24 teachers and students of Zhuang, Hui, Miao and Han nationalities that came from four “Galaxy Primary Schools” located at Jingning County in Gansu, Shibing County in Guizhou, Hongsibao County in Ningxia and Dangxiong County in Tibet participated in the camp.

The Company participated in the project “Improvement of Infant Nutrition – Toolkits and Learning Materials” under the project “Improvement of Infant Nutrition in Haidong, Qinghai” organized by the China Development Research Foundation. It donated RMB960,000, with an aim of giving an early parenting guidance for infants (0-3 years old).

Influenced by the Company's effort in giving back to the society, various branches also followed suit. Securities branch in Furong Central Road, Changsha donated RMB2,000 to Hunan Provincial Charity in response to the activity “Participation in One-day Donation for Sending Love and Warmth” initiated by the Hunan Association of Securities to give warmth and love to groups in difficulties. Securities branch in Xin'an Road, Jiande donated RMB30,000 to “Wu Shui Zhi Hong” in Jiande in response to the “Wu Shui Gong Zhui” donation activity for flood relief, Securities branch in Dongfeng West Road, Guangzhou donated RMB10,000 to 72 orphans at Huaizhi County Orphanage. Securities branch in Xingyang Road, Lanzhou donated 1,230 books and 56 sports goods to Jingning Galaxy Experimental Primary School.

During the year of 2014, the Company donated RMB4.85 million in total to the society.

By order of the Board
China Galaxy Securities Co., Ltd.
Chen Youan
Chairman

27 March 2015



SECTION VII OTHER SIGNIFICANT EVENTS

I. MATERIAL LITIGATION AND ARBITRATION

(i) Closed legal cases and enforcement during the Reporting Period

16 legal cases carried forward to the Reporting period from previous years and newly incurred during the Reporting Period, were closed during the Reporting Period, in which 1 case were closed due to plaintiffs' withdrawal. 2 were closed due to mediation and 13 were closed by judgments and adjudication. The Company was required to compensate approximately RMB17.5837 million due to mediation and judgment the enforcement of which has been completed.

(ii) Material Litigation and arbitration

During the Reporting Period, there have been no new significant litigations and arbitration involving the Company and its branches where the amount involved exceeds RMB10 million. The details and progress of 3 significant litigations disclosed in the 2013 Annual Report of the Company are as follows:

(1) Contractual dispute arising from account statements falsified by Bai Weitong (a former employee of Xiaolan branch in Zhongshan)

Cai Hualin and Cai Jinglin, who were clients of our Xiaolan branch in Zhongshan, privately entrusted Bai Weitong, a former employee of that branch, to manage their accounts. Bai Weitong incurred losses in managing these accounts and subsequently used falsified account statements to hide the losses from 2008 to August 2010. Bai Weitong eventually turned herself into the police. In September 2011, the court sentenced her to two-year imprisonment with three-year probation for forging company seals.

Each of Cai Hualin and Cai Jinglin filed a lawsuit with the Second People's Court of Zhongshan of Guangdong Province on 19 March 2012 and 6 February 2012 respectively, against the Xiaolan branch and Bai Weitong, claiming for the amounts on the falsified account statements. The aggregate amount of the two claims is approximately RMB11.0087 million, including approximately RMB2.328 million claimed by Cai Hualin and approximately RMB8.6807 million claimed by Cai Jinglin.

On 21 March 2014, the Second People's Court of Zhongshan Guangdong Province reached decision for the first trial. It rejected all requests by Cai Hualin and Cai Jinglin. On 12 April 2014, Cai Hualin and Cai Jinglin appealed to the Intermediate People's Court of Zhongshan. On 18 December 2014, the Intermediate People's Court of Zhongshan made the final decision and rejected the appeal by Cai Hualin and Cai Jinglin and maintained the decision of the first trial.

(2) Civil dispute arising from the fraud by Liang Jianwei (a former employee of Xiaolan branch in Zhongshan)

From February 2006 to January 2011, Liang Jianwei, a former employee of the Xiaolan branch in Zhongshan, committed fraud by forging asset management agreements and affixing forged seals on these agreements. The Company discovered the fraudulent activities and reported to the police, who arrested Liang Jianwei. On 23 August 2012, the Intermediate People's Court of Zhongshan convicted Liang Jianwei of defrauding 15 people for an aggregate amount of approximately RMB49.04 million, sentenced him to life imprisonment and deprived him of political rights for life. Liang Jianwei has not appealed.

In May 2012, the victims of the fraud filed 13 civil proceedings (among 15 victims, 1 did not file a suit and 2 filed a suit jointly) against the Company and the Xiaolan branch with the Second People's Court of Zhongshan, claiming that the Xiaolan branch and the Company were vicariously liable for Liang Jianwei's fraud. The aggregate damages of their claims are approximately RMB50.1984 million. Subsequently, each of the plaintiffs added Liang Jianwei as a co-defendant.



SECTION VII OTHER SIGNIFICANT EVENTS

From December 2012 to January 2013, the court reached its decisions for the first trials of the aforementioned 13 civil proceedings, affirming that the losses of wealth management fund were approximately RMB48.8305 million, and ruling that Liang Jianwei shall compensate the plaintiffs for their losses and that the Company and the Xiaolan branch in Zhongshan shall jointly compensate 40% of the loss (the principal amount) that Liang Jianwei is unable to pay back. The Company and the Xiaolan branch in Zhongshan have appealed the decision. On 19 June 2013, the Intermediate People's Court of Zhongshan, Guangdong province, reached its decisions for the second trial, affirming that the losses of amounts shall be decreased by RMB5.0517 million to approximately RMB43.7788 million, while sustaining the original judgment that the Company and the Zhongshan Xiaolan branch shall compensate 40% of the loss of the wealth management fund that Liang Jiangwei is unable to pay back.

On 20 January 2014, the Second People's Court of Zhongshan made a final decision that the losses of amounts that Liang Jiangwei is unable to pay back shall be RMB41,349,335.48 and the amount that the Company and the Xiaolan branch shall compensate for is RMB16,539,734.20 (RMB41,349,335.48* 40%). On 24 January 2014, the Second People's Court of Zhongshan has fully transferred out the aforesaid amount from the bank account of the Company.

The Company and Zhongshan the Xiaolan branch have appealed against such judgments, and through the Intermediate People's Court of Zhongshan, have lodged an appeal with the People's High Court of Guangdong Province on 4 November 2013.

On 5 June 2014, the People's High Court of Guangdong Province decided to reject the request for retrial by the Company and the Xiaolan branch in Zhongshan.

(3) Civil proceedings arising from Yu Xiaolei's illegal absorption of public's deposits

From 12 to 14 March 2013, Tang Latou, customer of the sales department of Jiangdongzhong Road branch in Nanjing of the Company, with the assistance of Li Lei, a former employee of the sales department of the same company, invested in bank acceptance bills business through Yu Xiaolei, a client manager of the sales department of another securities firm. Yu Xiaolei promised to pay high interest on the funds invested in bank acceptance bills business. Li Lei and another employee of the Jiangdongzhong Road branch also invested in the bank acceptance bills business. After that, the Gulou District People's Court of Nanjing sentenced Yu Xiaolei to 8-year imprisonment for illegal absorption of the public's deposits. Since Tang Latou cannot collect the above mentioned investment money, he filed a lawsuit on 15 April 2013 with the Jianye District People's Court of Nanjing against the Company and the Jiangdongzhong Road branch in Nanjing as codefendants, claiming a sum of RMB8.614 million plus interest. As at 31 December 2014, the case is under the first trial.

Major litigation and arbitration of the Company's subsidiaries:

1. Dispute arising from the investment of Galaxy Capital in Zhicheng Weike

In order to invest in Beijing Zhicheng Weike Technology Co., Ltd. ("Zhicheng Weike"), Galaxy Capital entered into an "Investment Agreement" and a supplemental agreement with Zhicheng Weike and its actual controller in November 2011. Pursuant to the Investment Agreement, in the event that a repurchase trigger event occurs in respect of Zhicheng Weike (such as its results cannot reach the expected target), Galaxy Capital has the right to request the actual controller of Zhicheng Weike at any time to repurchase a part or all of the equity interests held by Galaxy Capital in Zhicheng Weike through appropriate arrangements. Since the operating results of Zhicheng Weike during the period of 2011, 2012 and January to June 2013 could not meet the expected targets, the terms of repurchase were triggered. Galaxy Capital filed a claim for arbitration to China International Economic and Trade Arbitration Commission on 26 December 2013. After mediation by China International Economic and Trade Arbitration Commission, Galaxy Capital entered into a "Mediation Agreement" with the actual controller of Zhicheng Weike on 28 May 2014, under which the actual controller of Zhicheng Weike agreed to acquire the equity interests held by Galaxy Capital in Zhicheng Weike, and the total consideration thereof is in the amount



SECTION VII OTHER SIGNIFICANT EVENTS

of RMB15.80 million and payable in four instalments. As at 31 December 2014, Galaxy Capital received the first instalment of equity transfer consideration of RMB4.00 million.

2. Arbitration in respect of capital injection of Xia Yan

Galaxy Capital, Shenyang Xia Yan Art of Gardening Group Ltd. (“Xia Yan Group”), Xia Yan and Qian Ming entered into a “Capital Injection Agreement among Galaxy Capital Management Co., Ltd., Shenyang Xia Yan Art of Gardening Group Ltd., Xia Yan and Qian Ming” and a “Supplemental Agreement” on 21 December 2011, under which Galaxy Capital has the right to request compensation from Xia Yan Group in the form of equity interests if the operating results of Xia Yan Group for 2011 and/or 2012 fails to meet the agreed commitments, and a specific method for calculating the compensation in the form of equity interests is agreed. After the entering of the agreement, the operating results of Xia Yan Group for years 2011 and 2012 cannot reach the commitments, Galaxy Capital therefore requested Xia Yan to bear the liability for compensation.

Galaxy Capital filed a claim for arbitration to China International Economic and Trade Arbitration Commission on 1 August 2014, requesting Xia Yan (the respondent) to repurchase all of the 86.4877% equity interests held by Galaxy Capital in Xia Yan Group and pay the repurchase price calculated as at the date of arbitral award in a lump sum (as at July 2014, the amount was RMB52.80 million). As at 31 December 2014, the case is still pending.

The Company considers that the aforementioned legal proceedings will not have direct material adverse impacts on the business, financial position and operating results of the Company.

II. MATERIAL LEASE AND PURCHASING CONTRACTS AND EXECUTION

The Group and Galaxy Investment entered into a property lease contract under which the annual rent for 2014 was RMB 90,323,200. The Company and TravelSky Technology Limited entered into a co-operation agreement (plant lease) under which the annual rent for 2014 was RMB18,592,900. The aforementioned contract amounts were paid quarterly or monthly. As at the End of the Reporting Period, the Company has paid RMB14,267,400 (contract amount of RMB27,695,200) to Beijing Hang Jia Hong Xin Technology Development Limited under the information technology products purchase agreement. Save for the above, during the Reporting Period, the Company had not engaged in any material lease and purchases (over RMB10 million) and no such matters were carried forward to the Reporting Period from the previous period, nor was there any material external guarantee.

III. CONNECTED TRANSACTIONS

The Group conducts connected transactions in strict accordance with the Listing Rules, the Administrative System for the Disclosure of Corporate Information and the Administrative Measures for Connected Transactions of the Company. The Group's connected transactions are conducted based on the principles of openness and fairness, and the connected transaction agreements are entered into based on the principles of equality, voluntariness, equivalence and compensation. During the Reporting Period, the Group conducted the following non-exempt connected transactions in accordance with the Listing Rules:

(1) Continuing Connected Transactions

On 2 May 2013, the Company entered into the Securities and Financial Services Framework Agreement (the “Framework Agreement”) with Galaxy Financial Holdings, pursuant to which, the Company shall provide securities and financial services based on normal commercial terms to Galaxy Financial Holdings and its subsidiaries (“Galaxy Financial Holdings Group”), including (1) securities brokerage services, (2) sales agency services, (3) leasing of exchange trading units and (4) other related securities and financial services. The Group shall receive service charges and commissions from Galaxy Financial Holdings Group for the provision of such services and shall pay interest to Galaxy Financial Holdings Group in respect of its funds entrusted to the Group in connection with such services. The service charges and commissions receivable and interests payable by the Group shall be based on negotiation between the parties with reference to the prevailing market rates and shall be in compliance with the applicable laws



SECTION VII OTHER SIGNIFICANT EVENTS

and regulations. The Framework Agreement came into force on the Listing Date for a term of three years, and upon the expiration thereof, may be renewed for three years subject to compliance with the relevant laws and the Listing Rules. As Galaxy Financial Holdings, holding approximately 69.23% of the issued share capital of the Company, is the controlling shareholder of the Company, and is therefore a connected person of the Company. As such, the above-mentioned transactions constitute continuing connected transactions of the Company under the Listing Rules.

The Company revised the annual caps of the service charges and commission charged for the securities and financial services provided to Galaxy Financial Holdings Group by the Group pursuant to the Framework Agreement for the two years ended 31 December 2015 to RMB56 million and RMB123 million, respectively. The Company also revised the annual caps of interest payable by the Group to the Galaxy Financial Holdings Group for the entrusted funds pursuant to the Framework Agreement for the two years ended 31 December 2015 to RMB3 million and RMB10 million, respectively.

As the applicable percentage ratios in respect of the annual caps are more than 0.1% but less than 5%, the transactions are subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirements under the Listing Rules.

During the Reporting Period, the income received and expenses paid by the Group in respect of the securities and financial services provided to Galaxy Financial Holdings Group are as follows:

Unit: RMB in 10 thousand

	2014	Annual Caps for 2014
Income		
Securities brokerage services	37.44	
Sales agency services	1,745.29	
Leasing of exchange trading units	2,366.73	
Other related securities and financial services	48.40	
Total	4,197.86	5,600.00
Expenses		
Interest expense	33.92	
Total	33.92	300.00

Note:

- Income from securities brokerage services is the income received from Galaxy Financial Holdings for securities brokerage business;
- Income from sales agency services is the income received from Galaxy Fund Management and its subsidiaries for agency sale of financial products.
- Income from leasing of exchange trading units is the commission received from the leasing of exchange trading units in respect of the funds managed by Galaxy Fund Management.
- Income from other related securities and financial services is the custody fee and targeted asset management income received from Galaxy Financial Holdings etc.
- Interest expense is the interest expense for deposits payable to Galaxy Financial Holdings and Galaxy Fund Management.

In respect of the continuing connected transactions mentioned above, the Company confirms that it has complied with the disclosure requirements in Chapter 14A of the Listing Rules. When conducting the above continuing connected transaction during the year, the Company complied with the pricing policy and guidelines formulated when the transaction was entered into.



SECTION VII OTHER SIGNIFICANT EVENTS

The independent non-executive Directors of the Company have reviewed the continuing connected transactions and have confirmed that such continuing connected transactions:

- (1) are in the ordinary and usual course of business of the Company;
- (2) are on normal commercial terms;
- (3) are conducted in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of shareholders of the Company as a whole.

The Board has received a letter from the auditors of the Company in respect of the continuing connected transactions mentioned above, in which the auditors have expressed the following opinion on the disclosed continuing connected transactions:

“In respect of the disclosed continuing connected transactions:

- a. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company’s Board of Directors.
- b. for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.
- c. nothing has come to our attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- d. with respect to the aggregate amount of the continuing connected transactions, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate value for the entire year of 2014 disclosed in the announcement dated 25 December 2014 made by the Company in respect of the disclosed continuing connected transactions.”

(2) Connected Transaction

On 23 April 2014, the Company’s non-wholly owned subsidiaries Galaxy Futures and Galaxy Financial Holding drafted the Articles of Association for the establishment of Galaxy Derivative. The registered capital of Galaxy Derivative was RMB 200 million, with 70% and 30% contributed by Galaxy Futures and Galaxy Financial Holding, respectively. Galaxy Derivative engaged mainly in risk management business after its establishment.

As Galaxy Financial Holding is the controlling shareholder of the Company, it is the connected person of the Company. Therefore, the above transaction constituted a connected transaction of the Company under the Listing Rules. As the above connected transaction reached 0.1% but below 5% calculated according to the applicable percentage in the Listing Rules, the Company was required to comply with the reporting and announcement requirements pursuant to the Listing Rules but was exempted from compliance with the requirements of approval by independent shareholders.

The Company confirmed that it has complied with the disclosure requirements in Chapter 14A of the Listing Rules for the above connected transaction.

IV. ACQUISITIONS, MERGERS AND DIVISIONS DURING THE REPORTING PERIOD

During the Reporting Period, the Company and its subsidiaries had not engaged in any acquisition, merger or division.



SECTION VII OTHER SIGNIFICANT EVENTS

V. PUNISHMENTS IMPOSED AGAINST THE COMPANY AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND DEFECT RECOVERY

During the Reporting Period, none of Directors, Supervisors and senior management were punished or publicly censured by the CSRC, the Securities Association of China, the stock exchanges, the financial futures exchanges and the departments of finance and taxation, foreign exchange and auditing.

During the Reporting Period, the Company was not subject to any administrative punishments by the CSRC, the Securities Association of China, the stock exchanges, the financial futures exchanges and the departments of finance and taxation, foreign exchange and auditing for any material illegal activities or violations.

VI. MAJOR OFF-BALANCE SHEET ITEMS THAT MAY AFFECT THE FINANCIAL CONDITIONS AND OPERATING RESULTS

Nil

VII. CHANGES IN QUALIFICATIONS FOR INDIVIDUAL BUSINESSES

- (1) On 12 February 2014, SSE approved the Company to be granted the qualification for participation in simulated options trading by self-owned business (Shang Zheng Qi Han [2014] Mo No. 4046).
- (2) On 17 February 2014, the Company obtained the qualification for pilot of consumption payment service of client securities capital granted by CSRC (Ji Gou Bu Bu Han [2014] No. 172).
- (3) On 3 April 2014, the Company obtained the qualification for pilot of Internet securities business granted by Securities Association of China (Zhong Zheng Xie Han [2014] No. 152).
- (4) On 21 May 2014, the Company obtained the qualification for pilot of OTC income receipt granted by Securities Association of China (Zhong Zheng Xie Han [2014] No. 284).
- (5) On 24 June 2014, the Company obtained the qualification of securities investment fund custody granted by CSRC (Zheng Jian Xu Ke [2014] No. 629).
- (6) On 2 July 2014, the Company obtained the qualification of market making business of the nationwide shares transfer system granted by National Equities Exchange and Quotations Co., Ltd. (Gu Zhuan Xi Tong Han [2014] No. 769).
- (7) On 3 September 2014, the Company obtained the qualification of participant of quotation and service system for inter-institutional private equity products granted by the China Securities Capital Market Development Monitoring Center Co., Ltd.
- (8) On 13 October 2014, the Company obtained the authorization for Hong Kong Stock Connect business transaction granted by SSE (Shang Zheng Han [2014] No. 635).
- (9) On 15 October 2014, the Company obtained the qualification of gold spot contract agency business granted by the CSRC (Zheng Juan Ji Jin Ji Gou Jian Guan Bu Bu Han [2014] No. 1397).
- (10) On 30 December 2014, the Company obtained the membership of the Shanghai Gold Exchange granted by Shanghai Gold Exchange (Code: T006).



SECTION VII OTHER SIGNIFICANT EVENTS

VIII. EVALUATION RESULTS OF THE COMPANY BY THE SECURITY REGULATORY AUTHORITY

In 2014, in the evaluation of securities companies by class by the CSRC, the Company was awarded the AA rating in A class for five consecutive years.

IX. OTHER IMPORTANT MATTERS AND PROGRESS OF SUBSEQUENT EVENTS

(1) Annual distribution scheme

The Company's profit distribution plan for 2014 is set out in "II. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PLAN" in Section VI of this report.

(2) Changes of qualifications for individual businesses

1. On 16 January 2015, SSE approved the Company to become a Stock Options Trading Participant on SSE and agreed to offer the Company's trading authority of stock options brokerage and its own business (Shang Zheng Han [2015] No. 86).
2. On 16 January 2015, China Securities Depository and Clearing Co., Ltd. approved the grant of the qualification of options clearing business to the Company (Zhong Guo Jie Suan Han [2015] No. 65).

(3) Equity financing

1. Issue of additional H Shares

In order to replenish the Company's capital timely and facilitate the rapid development of various businesses of the Company, the Board considered and approved the resolution of issuing not over additional 2 billion shares of H Shares on 20 January 2015 (the "New H Share Issue"), representing not more than 26.53% of the total share capital of the Company before the issue, and 20.97% of total share capital of the Company after the issue; and representing not more than 118.27% of share capital of H Shares of the Company before the issue, and 54.19% of share capital of H Shares of the Company after the issue. The new H Shares shall be issued by way of private placement. The number of target subscribers shall not exceed 10. The issue price shall not be lower than 80% of the average closing price of H Shares as quoted on the Hong Kong Stock Exchange over the 5 consecutive trading days preceding the price determination date. The proceeds raised from the New H Share Issue, after deducting the issue expenses, shall be used to replenish the capital of the Company, among which, (i) approximately 60% shall be used for the margin financing and securities lending business and dealer-quoted securities repurchase business; (ii) approximately 15% shall be used for other capital-based intermediary business; (iii) approximately 15% shall be used for investment and innovative business; and (iv) approximately 10% shall be used to replenish the working capital of the Company. The resolution in relation to the New H Share Issue will be valid for 12 months from the date of passing of the resolution at the general meeting and the class meetings. The specific plan for the New H Share Issue, including the size of issue, issue price, time of issue, method of issue and target subscribers of issue, is to be decided by the Board as authorized by the general meeting of the Company. On 26 March 2015, the first Extraordinary General Meeting in 2015 and the domestic shares and H shares class meetings considered and approved the aforementioned resolutions.

2. Listing of A Shares of the Company

Please refer to "V. Significant Investment and Financing Activities" of Section V "Management Discussion and Analysis" of this report for details of progress.



SECTION VII OTHER SIGNIFICANT EVENTS

(4) Debt securities financing after the Reporting period

As at 27 March 2015, the Company issued bonds of RMB15.33 billion in total in 2015, of which RMB4 billion was subordinated bonds, RMB8.83 billion was short-term corporate bonds and RMB2.5 billion was corporate bonds. Please refer to the table below for details:

Category	Phase	Size of issuance (RMB 100 million)	Purpose	Issue date	Maturity date	Term (Day)	Interest rate
Subordinated bond	2015 Phase 1 Subordinated bonds	12.00	Replenish working capital	2015/1/30	2017/1/30	731	5.80%
	2015 Phase 2 Subordinated bonds	28.00	Replenish working capital	2015/1/30	2017/1/30	731	5.90%
	Sub-total	40.00					
Short-term corporate bond	2014 Phase 2 Short-term corporate bonds	32.00	Replenish working capital	2015/1/20	2015/7/22	183	5.00%
	2014 Phase 3 Short-term corporate bonds	26.30	Replenish working capital	2015/3/6	2016/3/6	365	5.02%
	2015 Securities Company Short-term corporate bonds (Phase 1)	30.00	Replenish working capital	2015/3/24	2016/3/24	365	5.40%
	Sub-total	88.30					
Corporate bond	2014 Corporate bond (Phase 1)	15.00	Replenish working capital	2015/2/4	2018/2/4	1,096	4.65%
	2014 Corporate bond (Phase 1)	10.00	Replenish working capital	2015/2/4	2020/2/4	1,826	4.80%
	Sub-total	25.00					
Total		153.30					

The nominal value and offer price of the above subordinated bond, short-term corporate bond and corporate bond are RMB100 per unit.

(5) Other

On 16 January 2015, CSRC announced the site inspection of financing business of securities companies for the fourth quarter of 2014, conducting administrative supervision measures on various securities companies, including suspension on opening new margin financing and securities lending credit accounts for 3 months, rectification within time limit, increase in the number of internal compliance inspection and warnings. The Company was warned by CSRC due to problems with the expansion of due margin financing and securities lending contracts. After inspection, the number of clients involved in violation only constitutes 0.01% of the total number of clients in margin financing and securities lending transactions of the Company and has no material adverse impact on the business, financial position and operating results of the Company.

The Company gives great importance to the compliant operation and risk management of the margin financing and securities lending business. Focusing on the existing problems, its current business process and regulations and rules, the following rectification measures were adopted:

1. The Company does not allow new contracts to be overdue. Clients will be informed repeatedly to settle the contracts in time before the contracts are due. Compulsory close position will be applied to unsettled contracts at maturity;
2. To date, the Company has settled all related overdue contracts;
3. The Company has raised the asset requirement for clients of margin financing and securities lending opening accounts to RMB 500,000 as per the request of CSRC.



SECTION VIII CHANGES IN SHARES AND INFORMATION OF SUBSTANTIAL SHAREHOLDERS

I. STRUCTURES OF SHARE CAPITAL

Name of shareholders	Class of shares	Number of shares	Percentage of the total issued domestic shares/H shares of the Company (%)	Percentage of the total number of issued shares of the Company (%)
Galaxy Financial Holdings	Domestic Shares	5,217,743,240	89.25%	69.23%
Other shareholders of Domestic Shares	Domestic Shares	628,530,884	10.75%	8.34%
National Social Security Fund	H Shares	84,191,300	4.98%	1.12%
Public shareholders of H Shares	H Shares	1,606,793,333	95.02%	21.32%

II. CHANGES IN SHARES

During the Reporting Period, there has been no change in the shares of the Company. As at the End of the Reporting Period, the share capital of the Company was 7,537,258,757 shares, of which, 5,846,274,124 were Domestic Shares and 1,690,984,633 were H Shares.

III. INFORMATION OF SHAREHOLDERS

As at the End of the Reporting Period, the Company has 37 domestic shareholders and 1,029 registered shareholders for H Shares.

On 2 April 2014, Zhejiang Tianlang Investment and Management Co., Ltd. transferred 2 million Domestic Shares of the Company (representing approximately 0.027% of the total issued share capital of the Company) held by it to Qitian Holding Co., Ltd. Following the completion of the transfer, Qitian Holding Co., Ltd. held 3.53 million Domestic Shares of the Company (representing approximately 0.047% of the total issued share capital of the Company).

On 12 May 2014, Shenzhen Yantian Port Group Co., Ltd. transferred 13,617,961 Domestic Shares of the Company (representing approximately 0.181% of the total issued share capital of the Company) held by it to Shenzhen State-owned Dutyfree Commodity (Group) Co., Ltd. Following the completion of transfer, Shenzhen State-owned Dutyfree Commodity (Group) Co., Ltd. held 13,617,961 Domestic Shares of the Company (representing approximately 0.181% of the total issued share capital of the Company).



SECTION VIII CHANGES IN SHARES AND INFORMATION OF SUBSTANTIAL SHAREHOLDERS

As at the End of the Reporting Period, the shareholdings of the top ten shareholders of the Company are as follows:

Name of shareholders	Nature of shareholders	Number of shares held	Proportion	Number of increase or decrease of shares	Number of shares held without restrictions for sale	Number of shares held with restrictions for sale	Pledge or lock-up of shares held
Galaxy Financial Holdings	State-owned legal person	5,217,743,240	69.23%	0	5,217,743,240	0	Nil
HKSCC Nominees Limited (Note 1)	Overseas legal person	1,688,539,933	22.40%	778,600	1,688,539,933	0	-
PICC Property and Causality Company Limited	State-owned legal person	114,381,147	1.52%	0	0	114,381,147	Nil
Shanghai Rural Commercial Bank Co., Ltd.	Social legal person	110,000,000	1.46%	0	110,000,000	0	Nil
Bank of Lanzhou Co., Ltd	Social legal person	90,514,398	1.20%	0	90,514,398	0	Nil
Shanghai CICC Electric Technology Co., Ltd.	Social legal person	60,000,000	0.80%	0	0	60,000,000	Nil
China Resources Co., Ltd.	State-owned legal person	38,804,706	0.51%	0	0	38,804,706	Nil
Joincare Pharmaceutical Industry Group Co., Ltd	Social legal person	28,983,000	0.38%	0	0	28,983,000	Nil
Zhongshan Zhonghui Investment Group Company Limited	State-owned legal person	19,454,230	0.26%	0	0	19,454,230	Nil
Shenzhen State-Owned Dutyfree Commodity (Group) Co., Ltd	State-owned legal person	13,617,961	0.18%	13,617,961	0	13,617,961	Nil

Note 1: Shares held by HKSCC Nominees Limited are H Shares owned by holders who do not register the shares under their names.

As at the End of the Reporting Period, Galaxy Financial Holdings, the controlling shareholder of the Company, held 69.23% of shares the Company. Galaxy Financial Holdings was established on 8 August 2005 jointly by Huijin and the Ministry of Finance with a registered capital of RMB7 billion. Its principal business is: securities, fund, insurance, trust, bank investment and management. Its legal representative and general manager is Mr. Chen Youan and Ms. Li Mei (Mr. Du Ping has served as the general manager since 5 February 2015), respectively.

IV. DISCLOSURE OF INTEREST

As at 31 December 2014, to the knowledge of the Directors of the Company after making reasonable inquiries, the following persons (other than Directors, Supervisors or senior management officers of the Company) have the following interests or short positions in shares or underlying shares of the Company required to be disclosed to the Company in accordance with Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by the Company under Section 336 of the SFO:



SECTION VIII CHANGES IN SHARES AND INFORMATION OF SUBSTANTIAL SHAREHOLDERS

Name of substantial shareholders	Class of shares	Nature of interest	Number of shares held	Percentage of the total number of issued shares of the Company (%)	Percentage of the total number of issued Domestic Shares/ H Shares of the Company (%)	Long positions/ short positions/ shares available for lending	
1	Huijin (Note 1)	Domestic Shares	Interests of controlled corporation	5,217,743,240 (Note 2)	69.23	89.25	Long position
2	Galaxy Financial Holdings	Domestic Shares	Beneficiary owner	5,217,743,240 (Note 2)	69.23	89.25	Long position
3	Citigroup Inc.	H Shares	Other situations	36,491,917	0.48	2.15	Long position
		H Shares	Other situations	93,738,644	1.24	5.54	Short position
		H Shares	Other situations	31,358,273	0.42	1.85	Shares available for lending
4	JPMorgan Chase & Co.	H Shares	Beneficiary owner/ Investment manager/ Custodian	85,619,498	1.14	5.06	Long position
		H Shares	Beneficiary owner	2,679,807	0.04	0.15	Short position
		H Shares	Custodian	43,981,498	0.58	2.60	Shares available for lending

Note 1: Huijin directly holds approximately 78.57% equity interest in Galaxy Financial Holdings and is therefore deemed to be interested in 5,217,743,240 Domestic Shares directly held by Galaxy Financial Holdings.

Note 2: According to Section 336 of the SFO, shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. When the shareholdings of the shareholders in the Company change, it is not necessary for the shareholders to notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange.

Save as disclosed above, as at 31 December 2014, the Company was not aware of any other person (other than Directors, Supervisors and senior management officers of the Company) who held interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

V. PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the Reporting Period, apart from the the disclosure in other Sections of this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

VI. COMPLIANCE WITH UNDERTAKING BY CONTROLLING SHAREHOLDERS

After enquiry to Galaxy Financial Holdings, Galaxy Financial Holdings confirmed to the Company that, during the Reporting Period, Galaxy Financial Holdings and its controlled entities operated their businesses in accordance with the non-competition undertaking signed by Galaxy Financial Holdings.

The Company will remain contact with Galaxy Financial Holdings for matters on the compliance with non-competition undertaking by Galaxy Financial Holdings and its controlled entities.

With a focus on the non-competition undertaking by the controlling shareholder, the Board required an in-depth survey, research and analysis of existing historical course of competition and its current condition in the securities industry in order to provide basis for decision making.



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

I. BASIC INFORMATION ON THE CURRENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Gender	Age	Appointment date	Total remuneration received from the Company during the Reporting Period (RMB 0'000)	Note
Chen Youan	Chairman and Non-executive Director	Male	57	Served as director on 5 January 2010 and elected as Chairman on the same date	140.26	Re-elected as Director on 19 August 2011
Gu Weiguo	Deputy Chairman, Executive Director, President and Chairman of the Executive Committee	Male	56	Served as President on 30 March 2010, Director on 30 April 2010, and elected as Deputy Chairman on 11 May 2012 and Chairman of the Executive Committee on 19 December 2012	137.84	Re-elected as Director on 19 August 2011
Xu Guoping	Non-executive Director	Male	54	Elected as Director on 31 December 2005 and served as Director since January 2007	0	Re-elected as Director on 19 August 2011
Wu Chengming	Executive Director, Secretary to the Board	Male	52	Served as Director since 21 August 2009, Secretary to the Board since 16 August 2012 and Member of the Executive Committee since 19 December 2012	288.41	Re-elected as Director on 19 August 2011
Li Chenghui	Non-executive Director	Male	62	Elected as Director on 31 December 2005 and served as Director since January 2007	0	Re-elected as Director on 19 August 2011
Shi Xun	Non-executive Director	Male	57	19 August 2011	0	
Wang Shiding	Independent Non-executive Director	Male	71	31 December 2005	27.00	Re-elected as Director on 19 August 2011
Liu Feng	Independent Non-executive Director	Male	52	22 April 2011	30.03	Re-elected as Director on 19 August 2011
Zhou Ruijin	Independent Non-executive Director	Male	76	25 January 2013	24.98	



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Position	Gender	Age	Appointment date	Total remuneration received from the Company during the Reporting Period (RMB 0'000)	Note
Wu Yuwu	Independent Non-executive Director	Male	54	25 January 2013	24.98	
Qi Xiaoli	Employee Director, Non-executive Director	Female	56	20 November 2012	164.54	Served as Employee Supervisor from 12 February 2007 to 20 November 2012
Yu Wenxiu	Chairman of the Supervisory Committee	Male	58	Elected as Supervisor on 31 December 2005, served as Supervisor since January 2007 and elected as the Chairman of the Supervisory Committee on 12 February 2007	125.35	Re-elected as Supervisor on 19 August 2011
Zhong Cheng	Supervisor	Male	52	Elected as Supervisor on 31 December 2005 and served as Supervisor since January 2007	105.29	Re-elected as Supervisor on 19 August 2011
Wu Huanliang	External Supervisor	Male	63	22 May 2013	12.94	
Gu Shulin	Employee Supervisor	Male	61	20 November 2012	155.88	
Liu Zhiyi	Employee Supervisor	Female	51	22 May 2013	189.89	
Chen Jing	Vice President, Member of the Executive Committee	Female	52	Appointed as Vice President in August 2007, and Member of the Executive Committee on 19 December 2012	121.53	
Huo Xiaoyu	Vice President, Member of the Executive Committee	Female	49	Appointed as Vice President in August 2007, and Member of the Executive Committee on 19 December 2012	122.82	
Zhu Yongqiang	Chief Officer of Brokerage Business, Member of the Executive Committee	Male	50	26 August 2013	288.41	
Wang Liuqi	Chief Officer of Equity Financing Business, Member of the Executive Committee	Male	44	Appointed as Chief Officer of Equity Financing Business on 23 March 2012, and Member of the Executive Committee on 19 December 2012	289.31	



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Position	Gender	Age	Appointment date	Total remuneration received from the Company during the Reporting Period (RMB 0'000)	Note
Yin Yanwu	Chief Officer of Asset Management Business, Member of the Executive Committee	Male	41	Appointed as Chief Officer of Asset Management Business on 31 December 2012, and Member of the Executive Committee on the same date	288.41	
Zhu Ruimin	Chief Financial Officer, Member of the Executive Committee	Female	45	Appointed as Chief Financial Officer on 23 April 2012, and Member of the Executive Committee on 19 December 2012	288.41	
Wu Jianhui	Chief Human Resources Officer, Member of the Executive Committee	Male	45	Appointed as Chief Human Resources Officer on 18 November 2011, and Member of the Executive Committee on 19 December 2012	300.48	
Li Shuhua	Chief Risk Officer/ Chief Compliance Officer, Member of the Executive Committee	Male	44	Appointed as Chief Risk Officer/ Chief Compliance on 18 November 2011, and Member of the Executive Committee on 19 December 2012	302.88	Appointed as Chief Compliance Officer on 15 April 2010

Note:

1. The above total remuneration is the actual pre-tax amount paid by the Company during the Reporting Period. The finalized remuneration of Directors, Supervisors and senior management for 2014 is in the process of confirmation and will be disclosed later when the same is confirmed.
2. The Company ceased to employ Mr. Dai Xu as a member of the executive committee and the Chief Business Officer of Fixed Income of the Company from 6 November 2014 (please see the Announcement dated 6 November 2014 disclosed on the Hong Kong Stock Exchange by the Company for details). In 2014, the remuneration received by Mr. Dai Xu from the Company was RMB2,312,200.



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

II. POSITIONS IN SHAREHOLDERS' ENTITIES AND OTHER ENTITIES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OFFICERS

During the Reporting Period, Directors, Supervisors and senior management acted in the following companies in the positions listed:

Name	Position(s) in the Company	Name of entities	Position(s) in other entities	
			Position(s)	Period in position
Chen Youan	Director and Chairman	Huijin	deputy general manager	July 2008 to present
		Galaxy Financial Holdings	director and chairman	director: December 2009 to present chairman: December 2009 to June 2011; December 2012 to present
		Galaxy Futures	director and chairman	October 2013 to present
Gu Weiguo	Director, Deputy Chairman, General Manage (President), and Supervisor of Executive Committee	Galaxy Financial Holdings	director	June 2011 to present
		Galaxy International Holdings	director	February 2011 to present
Xu Guoping	Director	Galaxy Financial Holdings	director and deputy general manager	director: August 2005 to present deputy general manager: June 2011 to present
		Galaxy Investment	director and chairman	director and chairman: February 2007 to present
		Galaxy Fund Management	director and chairman	director: Jan 2014 to present chairman: May 2014 to present
Wu Chengming	Director, Secretary to the Board and Member of the Executive Committee	Nil	–	
Li Chenghui	Director	Galaxy Financial Holdings	director	August 2005 to present
Shi Xun	Director	Nil	–	



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Position(s) in the Company	Position(s) in other entities		
		Name of entities	Position(s)	Period in position
Wang Shiding	Independent Director	Institute of Fiscal Science of Ministry of Finance	researcher	July 2004 to present
		Huatai Securities Co., Ltd.	independent director	November 2013 to August 2014
		Limin Chemical Co., Ltd.	independent director	July 2008 to April 2014
		Guangzhou Hengyun Enterprise Holdings Co., Ltd.	independent director	July 2009 to May 2014
		Lancy Co., Ltd.	independent director	August 2010 to September 2014
		Beijing Utour International Travel Service Co., Ltd.	independent director	September 2010 to May 2014
Liu Feng	Independent Director	FPSB China Ltd. (Shanghai)	supervisor	December 2011 to April 2014
		Swiss Trust Advisors AG	partner	July 2014 to present
		Shanghai Swiss Investment Consulting (Shanghai) Co., Ltd.	executive director	July 2014 to present
Zhou Ruijin	Independent Director	Branding China Group Limited	independent director	April 2012 to present
		Shanghai Association of Productivity Science	chairman	May 2001 to December 2014
Wu Yuwu	Independent Director	The Chinese University of Hong Kong	professor	January 2002 to present
Qi Xiaoli	Employee Director	Working committee of China Financial Industry Labor Union set up under Galaxy Financial Holdings	deputy supervisor of the working committee	June 2007 to present
Yu Wenxiu	Supervisor, and Chairman of the Nil Supervisory Committee		–	–
Zhong Cheng	Supervisor	Galaxy Financial Holdings	supervisor	August 2005 to present
		Galaxy Futures	chairman of supervisory committee	July 2011 to present
Wu Huanliang	External Supervisor	Nil	–	–
Gu Shulin	Employee Supervisor	Nil	–	–



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Position(s) in the Company	Position(s) in other entities		
		Name of entities	Position(s)	Period in position
Liu Zhiyi	Employee Supervisor	National Accounting Institute	adjunct professor	September 2012 to present
		China Institute of Internal Audit	member of teaching material editorial board	March 2012 to present
Chen Jing	Deputy General Manager (Vice President) and Member of the Executive Committee	Nil	–	–
Huo Xiaoyu	Deputy General Manager (Vice President) and Member of the Executive Committee	Galaxy International Holdings	director, chairman	June 2011 to present
Zhu Yongqiang	Chief Officer of Brokerage Management Business and Member of the Executive Committee	Nil	–	–
Wang Liuqi	Chief Business Officer of Equity Financing Business and Member of the Executive Committee	Beijing Equity Exchange Centre Co., Ltd	director	January 2013 to present
Yin Yanwu	Chief Business Officer of Asset Management Business and Member of the Executive Committee	Galaxy Jinhui	director, chairman	September 2014 to present
Zhu Ruimin	Chief Financial Officer and Member of the Executive Committee	Nil	–	
Wu Jianhui	Chief Human Resources Officer and Member of the Executive Committee	Galaxy Capital	director	July 2011 to present
Li Shuhua	Chief Risk Officer/Chief Compliance Officer and Member of the Executive Committee	Nil	–	



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

III. BIOGRAPHIES OF CURRENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Non-executive Directors (5)

(1) Mr. Chen Youan

born in March 1958, has been the Chairman and non-executive Director of our Company since January 2010. He has also been serving as deputy general manager of Huijin since July 2008. Mr. Chen was chairman and director of Galaxy Financial Holdings from December 2009 to June 2011, director and general manager of Galaxy Financial Holdings from June 2011 to June 2012, chairman and director of Galaxy Financial Holdings since June 2012 and Chairman of Galaxy Futures since October 2013. From May 1997 to December 1999, Mr. Chen served as deputy bureau chief at China Development Bank's eastern region credit bureau. From December 1999 to June 2002, Mr. Chen was president of China Development Bank's Lanzhou branch. From June 2002 to December 2007, he was assistant to the governor of Gansu Province, during which time he also served as director-general of the Trade and Economic Cooperation Department of Gansu Province, the Commerce Department of Gansu Province, and the Rural Credit Cooperative Union of Gansu Province. Mr. Chen obtained a bachelor's degree in engineering from Northeast Institute of Electric Power in January 1982 and obtained a certificate in research studies from Nomura Institute of Research in November 1985. Mr. Chen obtained a doctor's degree in engineering majoring in management science and engineering from Tianjin University in March 2002.

(2) Mr. Xu Guoping

born in June 1961, was elected as the Director in December 2005 and has been non-executive Director since January 2007. Mr. Xu has also been serving as director and deputy general manager of Galaxy Financial Holdings since August 2005 and June 2011, respectively. In addition, he has been chairman and director of Galaxy Investment since February 2007, president of Galaxy Investment from February 2007 to July 2012, chairman and director of Beijing Galaxy Jixing Investment Management Company Limited (北京銀河吉星投資管理有限公司) from June 2010 to March 2013, director and legal representative of Galaxy Fund Management since January 2014 and chairman of Galaxy Fund Management in May 2014 as approved by CSRC. From January 1997 to January 2008, Mr. Xu served consecutively as director of the Exchange Office of International Department, representative of Tokyo Office, researcher of the Research Bureau and director of the Financial System Reform Division of the Financial System Stability Bureau of the People's Bank of China, supervisor at the Department of China Construction Bank Shareholding Management of Huijin. From March 2007 to July 2012, he also served as general manager of Galaxy Investment. Mr. Xu obtained a junior college diploma in Japanese from People's Liberation Army Luoyang Foreign Language School in December 1979, a master's degree in economics from Shaanxi Institute of Finance and Economics in July 1999, and a doctor's degree in economics from Renmin University of China in January 2007.

(3) Mr. Li Chenghui

born in January 1953, was elected as a Director in December 2005, and has been non-executive Director of our Company since January 2007. Mr. Li has also been serving as director of Galaxy Financial Holdings since August 2005. From October 1987 to October 1996, he served consecutively as manager of Treasury Division and manager of Securities and Foreign Exchange Division of China Huaneng Finance Company, currently China Huaneng Financial Company (中國華能金融公司·現中國華能財務公司), as well as general manager of Huaneng Maikē Investment Consulting Company Limited (華能麥克投資諮詢有限公司). From September 1988 to October 1995, Mr. Li was also deputy chairman and director of Shenzhen Special Economic Zone Securities Company (深圳經濟特區證券公司). From October 1996 to January 1998, Mr. Li was general manager of Beijing Chengyu Real Estate Company Limited (北京城宇房地產有限公司). From January 2001 to August 2005, he served as chief business officer and supervisor of Beijing Operations Office of Guotong Securities Co. Ltd (currently China Merchants Securities Co., Ltd. (國通證券有限責任公司·現招商證券股份有限公司)(a company listed on the SSE, stock code: 600999). Mr. Li obtained a bachelor's degree in economics from Hebei Institute of Finance and Trade in July 1983. He was accredited as a senior economist by China Huaneng Group Company (中國華能集團公司).



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(4) Mr. Shi Xun

born in January 1958, has been a non-executive Director of our Company since August 2011. From August 1983 to September 1986, Mr. Shi served as assistant engineer in Nantong Machinery Plant of Light Industry. From October 1986 to January 1998, he served as assistant to supervisor of Economic System Reform Commission of Nantong City (南通市經濟體制改革委員會). From February 1998 to September 2007, Mr. Shi was deputy director of CSRC Shanghai Supervision Office of the Commissioner and the director of CSRC Shanghai Commissioner's Office. From September 2007 to November 2011, Mr. Shi was deputy general manager of Shanghai New Huangpu Real Estate Co., Limited (上海新黃浦置業股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600638), during which time he served as director of Jiangxi Ruiqi Futures Brokerage Company Limited (江西瑞奇期貨經紀有限公司) from November 2008 to November 2011. From October 2009 to November 2011, he was chairman of Huawen Futures Brokerage Co., Ltd. (華聞期貨經紀有限公司). Mr. Shi obtained a master's degree in business administration from Fudan University in June 2008.

(5) Ms. Qi Xiaoli

born in September 1959, has been a non-executive Director of our Company since November 2012. Ms. Qi has also been serving as deputy supervisor of the Working Committee of China Financial Industry Labor Union set up under Galaxy Financial Holdings since June 2007, deputy chairman of our Company's labor union since October 2008, and supervisor of President's Office of our Company since January 2012. From January 1977 to November 2001, she served consecutively as deputy section chief, section chief, deputy director, office manager and chairman of the labor union committee of Communications Division of First Bureau of General Office of CPC Central Committee. From November 2001 to February 2007, she served consecutively as deputy supervisor of President's Office and deputy supervisor of Working Committee of China Financial Industry Labor Union set up under China Galaxy Securities Limited Liability Company. From February 2007 to November 2012, Ms. Qi served as supervisor representing employees of our Company. From January 2008 to December 2011, she was deputy supervisor of the President's Office of our Company. From February 2008 to September 2008, she was deputy supervisor of the labor union working committee of our Company. Ms. Qi obtained an undergraduate diploma from Correspondence Institute of Party School of the Central Committee of CPC in December 1995.

2. Executive Directors (2)

(1) Mr. Gu Weiguo

born in March 1959, has been the President and executive Director of our Company since March and April 2010, respectively. Mr. Gu is in charge of the overall management and operations of our Company. Mr. Gu has also been appointed Deputy Chairman of our Company since May 2012, and supervisor of the executive committee of our Company since December 2012. Mr. Gu has also been serving as director of Galaxy International Holdings since February 2011, and director of Galaxy Financial Holdings since June 2011. From August 1987 to August 2002, Mr. Gu served consecutively as deputy division director of Editorial Office of Investment Research Division, division director of General Division of First Credit and Loan Department, deputy supervisor of Supervisory Office, general manager of Entrusted Business Department and general manager of Intermediate Business Department in China Construction Bank (previously known as China People's Construction Bank). From August 2002 to January 2007, he was vice president of China Sci-tech Securities Co., Ltd. (中國科技證券有限責任公司). Mr. Gu joined our Company in January 2007, and was chairman of our Company's labor union from October 2008 to July 2010, Vice President of our Company from September 2009 to March 2010, and chairman of Galaxy Capital from April 2010 to October 2010. Mr. Gu obtained a bachelor's degree in economics from Liaoning Institute of Finance and Economics in January 1982, and a master's degree in economics from Institute of Fiscal Science of Ministry of Finance in September 1987.



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(2) Mr. Wu Chengming

born in December 1963, has been a Director of our Company since August 2009 and designated as executive Director and Secretary to the Board since August 2012. Mr. Wu is principally responsible for daily affairs of the Board, as well as Company information disclosure and information submission. He has also been a member of the executive committee of our Company since December 2012. From August 1985 to June 2009, Mr. Wu served consecutively as deputy division director of Foreign Regulations Division of Legal Affairs Department, deputy division director and division director of the Third Division of Legal Affairs Department, and division director of Administrative Review Department of the Ministry of Finance. From June 2009 to July 2012, Mr. Wu served as director of Galaxy Financial Holdings, during which time he was also director of Galaxy Investment from May 2011 to July 2012. Mr. Wu obtained a bachelor's degree in law from Peking University in July 1985.

3. Independent Non-executive Directors (4)

(1) Mr. Wang Shiding

born in March 1944, was elected as an independent non-executive Director in December 2005, and has been independent non-executive Director of our Company since January 2007. Mr. Wang also serves as a researcher in Institute of Fiscal Science of Ministry of Finance, member of the Examination Committee of Certified Public Accounts of the Ministry of Finance, member of the Auditing Standards Committee of the Chinese Institute of Certified Public Accountants and executive member of China Accountants Society. From July 1982 to December 1984, he held a teaching position in the post-graduate department of Institute of Fiscal Science of Ministry of Finance. From December 1984 to May 1990, he served consecutively as deputy supervisor and supervisor in the accounting research office of Institute of Fiscal Science of Ministry of Finance. From May 1990 to May 2001, he was deputy head of Institute of Fiscal Science of Ministry of Finance. From May 2001 to March 2004, he served as consultant of Institute of Fiscal Science of Ministry of Finance. Mr. Wang obtained a master's degree in economics from Institute of Fiscal Science of Ministry of Finance in July 1982. He is a non-practising member of the Chinese Institute of Certified Public Accountants.

(2) Mr. Liu Feng

born in June 1963, has been an independent non-executive Director of our Company since April 2011, Adjunct Professor at the Management School of McGill University, Canada since January 2006, partner of Swiss Trust Advisors AG and executive director of Swiss Investment Consulting (Shanghai) Co., Ltd. from July 2014. From May 1987 to August 1989, he was lecturer at the Management School of Tianjin University. From July 1995 to June 1996, he served as assistant professor at the Management School of the University of Windsor, Canada. From July 1996 to May 2001, he was Assistant Professor of Finance and Co-Director of China Projects at the Management School of McGill University, Canada. From July 1997 to June 1998, he was lecturer at the Business School of Singapore Nanyang Polytechnic University. From June 2001 to September 2005, he was Faculty Lecturer and Co-Director of China Projects at the Management School of McGill University, Canada. From March 2004 to June 2010, Mr. Liu was independent non-executive Director of Orient Fund Management Co., Ltd (東方基金管理有限責任公司). From April 2007 to December 2013, was an independent non-executive Director of Jinan Commercial Bank (currently Qilu Bank Co., Ltd.) (濟南市商業銀行股份有限公司·現齊魯銀行股份有限公司) From October 2007 to January 2009, he was deputy secretary of the Financial Planning Standards Council of China under the China Foundation for Financial Education Development. He was chairman of FPSB China Ltd. (現代國際金融理財標準(上海)有限公司) from August 2008 to December 2011 and secretary general of the PRC Expert Sub-Committee of International Financial Planning Standards Board Committee from August 2009 to August 2011. Mr. Liu obtained a bachelor's degree in engineering majoring in architectural structure engineering from Department of Civil Engineering of Tianjin University in July 1983, a master's degree in engineering majoring in industrial management engineering from Tianjin University in June 1987, and a doctor's degree in finance from Concordia University in May 1996.



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(3) Mr. Zhou Ruijin

born in October 1939, has been an independent non-executive Director of our Company since January 2013. From April 1993 to June 2000, he served as deputy editor-in-chief and head of East China Branch of People's Daily. From June 2000 to June 2010, he served as independent non-executive Director, chairman of remuneration committee and member of audit committee of China Eastern Airlines (a company listed on SSE, stock code: 600115; Hong Kong Stock Exchange, stock code: 00670; New York Stock Exchange, stock code: CEA). From May 2001 to December 2014, he served as chairman of Shanghai Association of Productivity Science. From October 2004 to December 2011, he served as independent non-executive Director and convener of remuneration and appraisal committee of China Universal Asset Management Co., Ltd. Since April 2012, he served as independent non-executive Director, chairman of remuneration committee and chairman of nomination committee of Branding China Group Limited (品牌中國集團有限公司) (a company listed on Hong Kong Stock Exchange, stock code: 08219). Mr. Zhou graduated from Fudan University majoring in journalism in July 1962. Mr. Zhou is a senior editor recognized by Shanghai Press Senior Position Jury Committee (上海市新聞高級職務評審委員會).

(4) Mr. Wu Yuwu

born in April 1961, has been an independent non-executive Director of our Company since January 2013. Mr. Wu is a professor of accounting at the School of Accountancy of the Chinese University of Hong Kong since January 2002. From July 1995 to January 2002, Mr. Wu served consecutively as assistant professor of accounting and associate professor of accounting in the School of Accountancy of Chinese University of Hong Kong. Mr. Wu obtained a bachelor's degree in architectural engineering from South China Engineering Institute in July 1982, and a master of science degree in business administration from Concordia University, Canada in October 1987. He also obtained a master's degree in statistics and operations research, a master of philosophy degree in accounting and a doctor of philosophy in accounting from New York University, USA in May 1989, May 1990 and May 1992, respectively.

4. SUPERVISORS (5)

(1) Mr. Yu Wenxiu

born in July 1957, was elected as the Supervisor in December 2005, and he has been Supervisor and chairman of the Supervisory Committee of our Company since January and February 2007, respectively. From August 1989 to September 2000, Mr. Yu served consecutively as First Division deputy director of Local Budget Division, First Division director and deputy secretariat level officer of Local Division and assistant inspector of the Budget Division of the Ministry of Finance, during which time he was deputy director-general of Finance Department of Tibet Autonomous Region from June 1995 to June 1998. From July 2000 to July 2005, he was appointed by the State Council as full-time supervisor of China Galaxy Securities Limited Liability Company. From August 2005 to June 2011, he served as supervisor of Galaxy Financial Holdings. Mr. Yu obtained a bachelor's degree in economics from Shanghai Institute of Finance and Economics in July 1983. Mr. Yu was accredited as an economist by Ministry of Finance.



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(2) Mr. Zhong Cheng

born in April 1963, was elected as the Supervisor in December 2005, and has been Supervisor of our Company since January 2007. Mr. Zhong has also been serving as supervisor of Galaxy Financial Holdings since August 2005, and supervisor and chairman of the supervisory committee of Galaxy Futures since July 2011. From August 1985 to November 1992, Mr. Zhong served consecutively as staff member, clerk, deputy director-level clerk, director-level clerk of Foreign Exchange Division of Foreign Exchange and Foreign Affairs Department of the Ministry of Finance. From November 1992 to July 2000, he served as assistant analyst in the Financial Planning Division of Administrative Finance Department of Hong Kong branch office of Xinhua News Agency. From September 2000 to December 2003, he served consecutively as deputy director, director and designated supervisor of the supervisory committee of China Development Bank as appointed by the State Council. From December 2003 to December 2005, he was appointed by the State Council as designated supervisor of China Galaxy Securities Limited Liability Company. Mr. Zhong graduated from Department of Financial Accounting of Jiangxi Institute of Finance and Economics in July 1985. He was accredited as a senior economist by the Professional Skill and Title Evaluation Committee of the Ministry of Finance.

(3) Mr. Wu Huanliang

born in December 1952, has been the Supervisor of the Company since the listing of the H Shares of the Company on the Hong Kong Stock Exchange in May 2013. From December 1986 to June 2001, Mr. Wu served as deputy director and director of first audit division and director of financial audit division of National Audit Office Wuhan Office. From June 2001 to June 2002, he served as deputy commissioner of National Audit Office Shanghai Office. From June 2002 to May 2005, he served as deputy commissioner of National Audit Office Wuhan Office. From May 2005 to May 2007, he served as deputy bureau chief and bureau chief of National Audit Office Science Engineering Audit Bureau. From May 2007 to February 2012, he served as National Audit Office Wuhan Office Discipline Inspection Team Head. From February 2012 to January 2013, he served as secretariat-level auditor of National Audit Office Wuhan Office. Mr. Wu graduated from Wuhan University specialized in party and government cadre basics in December 1987. He also graduated from Huazhong University of Science and Technology majoring in linguistics and applied linguistics in July 2003. He is a non-practising member of The Chinese Institute of Certified Accountants and has been recognized as a senior auditor by Hubei Senior Specialized Technique Qualification Evaluation Committee since March 1995.

(4) Mr. Gu Shulin

born in September 1954, has been the Supervisor of our Company since November 2012. Mr. Gu has also been serving as supervisor of our work inspection office and deputy chairman of our labor union committee since August 2010 and October 2012, respectively. From December 1970 to December 1986, Mr. Gu served consecutively as mechanist, deputy political instructor and political instructor of Naval Aviation Group 18 of Chinese People's Liberation Army. From December 1986 to March 2001, he served consecutively as director-level clerk, deputy director, and deputy supervisor of the Second Division of the Financial Supervisory Bureau of the People's Bank of China Head Office. From March 2001 to January 2007, he was supervisor of the supervisory (inspection) office of China Galaxy Securities Limited Liability Company. From January 2007 to March 2012, he was supervisor of the supervisory (inspection) office (currently supervisory and inspection office) of our Company. Mr. Gu obtained a diploma from Beijing Higher Education Self-Study Examination in December 1992.



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(5) Ms. Liu Zhiyi

born in October 1964, has been the Supervisor of the Company since the listing of H Shares of the Company on the Hong Kong Stock Exchange in May 2013. From July 1990 to June 1993, Ms. Liu served as assistant and lecturer in the Accounting Department of Beijing Wuzi University. From June 1993 to June 1997, she served as deputy director-level accountant of Zhongzhou Accounting Firm. From July 1997 to September 2000, she served as deputy general manager of audit and legal affairs department and executive deputy general manager of finance and planning department in China People's Insurance Trust and Investment Company (中國人保信託投資公司). From September 2000 to January 2007, she served as deputy general manager of auditing head office of China Galaxy Securities Limited Liability Company. Ms. Liu has been deputy general manager and general manager of the audit department (previously known as the audit headquarter) of the Company since January 2007. Ms. Liu obtained a bachelor's degree in economics from Tianjin College of Finance & Economics (currently known as Tianjin University of Finance & Economics) in July 1987, and a master's degree in economics from Tianjin College of Finance & Economics (currently known as Tianjin University of Finance & Economics) in July 1990. Ms. Liu is a senior accountant recognized by Beijing Senior Specialized Technique Qualification Evaluation Committee.

5. SENIOR MANAGEMENT (8)

(1) Ms. Chen Jing

born in January 1963, holds a master degree in Engineering, and is a senior engineer. She is currently the Vice President of our Company, the chairman of our labor union committee and a member of the executive committee of our Company. She is responsible for settlement management, information technology and custody business of the Company. From March 1997 to March 2000, Ms. Chen served consecutively as deputy general manager and manager in the technology development department of China Cinda Trust Investment Company (中國信達信託投資公司). From September 2000 to January 2007, Ms. Chen served consecutively as supervisor of information technology center, general manager of human resources department as well as general manager of client assets depository center of China Galaxy Securities Limited Liability Company. From January 2007 to August 2007, she was general manager of human resources department as well as general manager of client assets depository center of our Company. She has been the Vice President of our Company since August 2007, chairman of our labor union committee since October 2012 and a member of the executive committee of our Company since December 2012. Ms. Chen obtained a bachelor's degree in engineering from Engineering Institute of Central China (Now Technology University of Central China) in July 1984, and a master's degree in engineering from Xi'an Electronic Technology University in February 1990. She is a senior engineer recognized by China Cinda Asset Management Co. Ltd (中國信達資產管理公司) in December 2000.



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(2) Ms. Huo Xiaoyu

born in September 1966, holds a master degree in Business Administration. She is currently the deputy general manager (Vice President) of the Company, a member of the executive committee, director and the Chairman of Galaxy International Holdings. She is responsible for our international business. Ms. Huo had worked in Finance Division of Industrial Traffic Finance Department of Ministry of Finance and industrial and commercial credit department of China Economic Development Trust Investment Company (中國經濟開發信託投資公司). From May 1998 to December 2002, she worked as general manager in Beijing securities branch of China Economic Development Trust Investment Company (中國經濟開發信託投資公司). From January 2003 to January 2007, she served consecutively as deputy general manager of Beijing administrative department as well as general manager of Fucheng Road securities branch of China Galaxy Securities Limited Liability Company, and general manager of Beijing administrative department as well as general manager of Beijing Yuetan securities branch of China Galaxy Securities Limited Liability Company. She has been the Vice President of the Company since August 2007; director and the Chairman of Galaxy International Holdings since June 2011; a member of the executive committee of the Company since December 2012. Ms. Huo obtained a bachelor's degree in economics from Renmin University of China in July 1988, and a master's degree in business administration from Chinese University of Hong Kong in December 2003.

(3) Mr. Zhu Yongqiang

born in September 1965, holds a master degree in Engineering specialized in computer application. He is currently chief officer of the brokerage business of the Company, member of the executive committee and chairman of brokerage management committee. He was assistant researcher of the Research Institute of Computer at the Anhui Academy of Chinese Medicine from July 1989 to September 1993, the general manager of the Information Technology Department and the general manager of e-business of Huatai Securities Co., Ltd. from September 1993 to December 2001 and the Vice-President of Beijing Century Feihu Information Technology Co., Ltd. from December 2001 to January 2005. He served as the vice president of Huatai United Securities Co., Ltd. from January 2005 to June 2011 and the managing director of development management committee of brokerage business of CITIC Securities Co., Ltd. from July 2011 to November 2012. He joined our Company in December 2012. He was the general manager of the brokerage management headquarter from February 2013 to December 2014, chairman of brokerage management committee since February 2013 and the chief director of the brokerage business of the Company and member of the executive committee since August 2013. Mr. Zhu obtained a bachelor's degree in science specialized in radio electronics from Wuhan University in July 1986, and a master's degree in Engineering specialized in computer application from Zhejiang University in June 1989. In October 2009, he obtained EMBA from Cheung Kong Graduate School of Business.



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(4) Mr. Wang Liuqi

born in December 1971, holds a doctorate in Management, He is a non-practising member of the Chinese Institute of Certified Public Accountants, a Fellowship of Chartered Certified Accountant (FCCA), one of the first batch of sponsor representatives in China and Vice Chairman of Investment Banking Committee of Securities Association of China. He is currently the general manager of our investment banking head office and Chief Business Officer of Equity Financing Business of our Company, a member of the executive committee of our Company. He is responsible for our investment banking business. From July 1993 to December 1999, Mr. Wang was a lecturer in Changchun Institute of Engineering (長春工程學院). He also served as the head of the training and examination department at the LCCI Examination Center of Northeast Normal University from December 1996 to December 1999. From December 1999 to December 2009, he worked in Northeast Securities Company Limited (東北證券股份有限公司), during which time he served consecutively as general manager of investment banking head office and executive deputy general manager of Beijing branch from December 2007 to December 2009. From December 2009 to December 2011, he served as assistant to general manager, as well as general manager of investment banking head office of Capital Securities Company Limited (首創證券有限責任公司). He joined the Company in January 2012 and served as the general manager of investment banking head office from February 2012, the Chief Business Officer of Equity Financing Business from March 2012, He serves as a member of the executive committee of the Company from December 2012 and also a director of Beijing Equity Trading Center from December 2013. Mr. Wang obtained a bachelor's degree in management from Changchun Institute of Tax in December 1995, a master's degree in management from Changchun Institute of Tax in July 2001, and a doctor's degree in management from Institute of Fiscal Science of Ministry of Finance in June 2009.

(5) Mr. Yin Yanwu

born in March 1974, has been the Chief Business Officer of Asset Management Business of our Company since December 2012. He is responsible for our asset management business. He has also been a member of the executive committee of our Company since December 2012. He has also been the chairman of Galaxy Jinhui since September 2014. From September 2005 to April 2007, Mr. Yin was responsible for investment analysis in West Asset Management Company in USA. From April 2007 to June 2008, he worked in EARNEST Partners LLC in USA, and was designated as chief representative of Beijing Office of this company. From June 2008 to November 2011, he worked in Risk Management Department of China Investment Corporation (中國投資有限責任公司). From November 2011 to December 2012, Mr. Yin served as the Chief Business Officer of Asset Management Business of our Company. Mr. Yin obtained a bachelor's degree in engineering from Beijing University of Aeronautics & Astronautics in July 1997, a master of law degree from Peking University in January 2003, and a master of science degree in Quantitative and Computational Finance from Georgia Institute of Technology in May 2005.

(6) Ms. Zhu Ruimin

born in September 1970, holds a doctorate in Management. She is currently the Chief Financial Officer and a member of the executive committee of our Company. She is in charge of financial management of the Company. From July 2008 to April 2012, she served consecutively as general manager of finance department, assistant general manager and deputy general manager of Dongxing Securities Company Limited (東興證券股份有限公司). She served as the Chief Financial Officer of the Company from April 2012 and a member of the executive committee of the Company from December 2012. Ms. Zhu obtained a bachelor's degree in economics from Changchun Institute of Tax in July 1993, a master's degree in business administration from Renmin University of China in June 2005, and a doctor's degree in management from Renmin University of China in January 2009.



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(7) Mr. Wu Jianhui

born in November 1970, holds a doctorate in Economics, and is a senior economist. He is currently the Chief Human Resources Officer and a member of the executive committee of our Company, and director of Galaxy Capital. He is in charge of our human resource affairs. From April 1997 to December 2005, Mr. Wu served consecutively as staff member of examination and appointment and dismissal division of staff education department, deputy manager of training and development division (in charge), deputy manager of general information division (in charge) and manager of long-term incentive program division of human resources department of China Unicom Limited (中國聯合通信有限公司). From January 2006 to December 2007, Mr. Wu was an assistant general manager of human resources department in Bank of China Limited (中國銀行股份有限公司), during which he also served as director of Bank of China Insurance Co., Ltd (中銀保險有限公司). From December 2007 to June 2010, he worked as senior manager in human resources department of China Investment Corporation. From July 2010 to April 2012, Mr. Wu served as general manager of human resources department in our Company. From March 2011 to August 2012, he served as secretary to the Board of our Company. He has been serving as a director of Galaxy Capital since July 2011, the Chief Human Resources Officer since November 2011 and a member of the executive committee of our Company since December 2012. Mr. Wu obtained a bachelor's degree in law from Lanzhou University in June 1994, a master's degree in economics from Renmin University of China in June 1997 and a doctor's degree in economics from Renmin University of China in January 2005. He is a senior economist recognized by Senior Professional Qualifications Committee of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會高級專業技術職務任職資格評審委員會) in October 2005.

(8) Mr. Li Shuhua

born in October 1971, holds a doctorate in Management specialized in Accounting, He is a non-practising member of the Chinese Institute of Certified Public Accountants. He is currently the Chief Risk Officer/Chief Compliance Officer and a member of the executive committee of our Company. From January 2000 to September 2003, Mr. Li served as director-level clerk of general office division of accounting department of CSRC. From September 2003 to February 2010, he served consecutively as deputy division director of auditing division of accounting department, deputy division director of general office division, division director of financial budgeting management division and division director of general office division in CSRC. He was the division director of general office of accounting in CSRC from January 2007 to February 2010. He joined the Company in March 2010 and became the Chief Compliance Officer in April 2010, Chief Risk Officer/Chief Compliance Officer since November 2011 and member of the executive committee since December 2012. Mr. Li obtained a bachelor's degree in management majoring in auditing from Agricultural University of Southwest (currently known as Southwest University) in July 1993, a master's degree in economics majoring in accounting from Xiamen University in July 1996, and a doctor's degree in management majoring in accounting from Shanghai University of Finance and Economics in August 1999.



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 6 November 2014, at the 44th meeting of the 2nd session of the Board (extraordinary), the Resolution on Ceasing to Hire Dai Xu as a member of the executive committee and the Chief Business Officer of Fixed Income was reviewed and approved, ceasing to employ Mr. Dai Xu as a member of the executive committee and the Chief Business Officer of Fixed Income of the Company with immediate effect. The position of Chief Business Officer of Fixed Income is now held by the Executive Director and President, Mr. Gu Weiguo (please refer to the announcement published by the Company on the Hong Kong Stock Exchange on 6 November 2014).

V. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- (i) Basic system of remuneration management of Directors, Supervisors and senior management: the Company has formulated *Administrative Measures for Remuneration of Directors and Supervisors of the Company* and *Interim Measures for Management of Remuneration of Senior Management*. The Company will further improve the remuneration management system according to the requests of the Code of Corporate Governance for Securities Company (valid from 1 January 2013) issued by CSRC.
- (ii) Decision-making procedure of remuneration management of Directors, Supervisors and senior management: The remunerations of Directors and Supervisors shall be determined by the Shareholders general meeting and the remuneration of senior management shall be determined by the Board. The remuneration figures are determined, according to the respective duties and performance review.
- (iii) Non-cash remunerations: Currently, the Company has not implemented any equity incentive policy, and Directors, Supervisors and senior management of the Company have not held any shares or options of the Company.
- (iv) Data and deferred payments of remunerations: The total remuneration for 2014 of Directors, Supervisors and senior management and the data of postponed payment for 2014 will be disclosed after the settlement of remuneration. Please refer to the relevant content in this session of this report for details of the actual amount of remuneration paid.



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

VI. DETAILS AND REMUNERATION OF STAFFS

(i) Numbers and composition of staffs

As at the End of the Reporting Period, the Group had 8,275 employees (including client managers in sales), of which 7,361 (including client managers in sales) were employees of the Company, and their compositions are set out below:

Items	The Group		The Company	
	Number of persons	Percentage (%)	Number of persons	Percentage (%)
Professional				
Securities brokerage	5,935	71.72%	5,901	80.17%
Futures brokerage	481	5.81%	0	0.00%
Investment banking	249	3.01%	229	3.11%
Assets management	47	0.57%	0	0.00%
Proprietary trading	37	0.45%	37	0.50%
Private equity investment	14	0.17%	0	0.00%
Investment research	149	1.80%	135	1.83%
Clearing	67	0.81%	54	0.73%
Legal/Risk Control/Audit	282	3.41%	233	3.17%
IT	417	5.04%	348	4.73%
Planning and Finance	343	4.15%	295	4.01%
Administrative management	254	3.06%	129	1.75%
Total	8,275	100.00%	7,361	100.00%
Educational Background				
Doctors	65	0.79%	61	0.83%
Masters	1,009	12.19%	805	10.94%
Bachelors	4,858	58.71%	4,329	58.81%
Associate degree and below	2,343	28.31%	2,166	29.42%
Total	8,275	100.00%	7,361	100.00%
Age				
30 or below	3,151	38.08%	2,693	36.58%
31-40	2,746	33.18%	2,425	32.94%
41-50	2,082	25.16%	1,963	26.67%
51 or above	296	3.58%	280	3.81%
Total	8,275	100.00%	7,361	100.00%

Note: As at the End of the Reporting Period, the Group had 258 retirees, of which 165 were early-retired staffs. The Company had 257 retirees, of which 165 were early-retired staffs.



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(ii) Remuneration of staffs

The remuneration of staffs of the Company comprises of basic remuneration, allowances, performance based bonus and benefits. The basic remuneration is a relatively fixed part in the composition of remuneration, which is the basic income of staffs. The pay grade of basic remuneration corresponds to the rank of employees. The allowances include allowances for management positions and for professional and technical personnel, which are supplement to the basic remuneration. The performance based bonus is derived from annual profits of the Company, and will be distributed based on results of performance assessment, which will tilt towards the business departments and take functional departments into account at the same time. The Company has provided social insurance and housing provident fund and other statutory benefits to its staffs according to relevant requirements of the PRC. Meanwhile, in order to improve the protection level of benefits, the Company also provided annuity fund and supplementary medical insurance for its employees.

The Company has been giving importance to equity incentive plan for its employees and has established a working panel specifically designed for the equity incentive plan of the Company. Subject to the permission of laws, regulations and government policies, the Company will initiate its equity incentive plan for employees in due time.

(iii) Training Plan

In order to continually improve the professional abilities and occupational qualities of staffs in order to achieve the strategic targets of the Company, the Company has adopted the training plan with overall consideration, hierarchical classification and emphasized key issues.

- (1) Strengthen the cultivation of strategic thinking abilities, operational management abilities and professional technology level of the medium-high management and administrative personnel, and improve international visions of the senior management and perfect the operational management abilities of the middle management as well as actively implement the reserve talents program in order to build up a reasonable talents team.
- (2) Reinforce trainings on occupational qualities and professional abilities of the employees from each business line, and strengthen overall qualities, professional depth, and execution and innovation abilities of professional staffs from each business line.
- (3) Leveraging on videos and network methods, prevail trainings on common skills possessed by practical skillful talents in order to effectively relieve the burdens arisen from time, space and cost of training, quickly replicate the best practices and gradually enhance professional ethics, professional qualities and skills of basic-level staffs.
- (4) Adapt to the requirements for public companies after listing, focus on new system and new businesses, combine courses on professional conduct and hold a series of comprehensive quality trainings covering all employees.

VII. DETAILS OF ENGAGING BROKERS TO SOLICIT CUSTOMERS AND PROVIDE CUSTOMER SERVICES

Securities brokers enter into agency contract with the Company, accepting the Company's mandate. They are natural persons other than the Company's employees who act as agents and engage in brokerage related activities such as customer solicitation and customer services within the authorisation of the Company. The Company adopts centralized management of such brokers. The headquarters of the Company formulated securities broker management measures and related systems, established a securities broker management platform, and centralized the management of securities branch and broker's qualification, examination and approval, registration, business training, performance appraisal, risk control etc. The Company's securities branches are responsible for the daily management of brokers. As of the end of the Reporting Period, there were 575 brokers.



SECTION X CORPORATE GOVERNANCE REPORT

I. OVERVIEW OF CORPORATE GOVERNANCE

As the Company is listed in Hong Kong and incorporated in Mainland China, the Company strictly conforms to the requirements of the laws, regulations and regulatory documents issued in Hong Kong and Mainland China, operates in compliance with the law, and is continually dedicated to maintain and improve the outstanding social image of the Company. According to the Company Law and the Securities law and other laws, regulations and regulatory requirements, the Company has established a power-balanced and duty-segregated governance structure between the general meeting, the Board of Directors, the Supervisory Committee and the management, which will ensure the operation of the Company in a regulated manner. The convening and voting process of the general meeting and the meeting of the Board of Directors and the meeting of the Supervisory Committee are legal and valid. The information disclosed by the Company is true, accurate, timely and complete. The investor relationship is managed effectively and the corporate governance is scientific, rigorous and orderly.

During the Reporting Period, the Company strictly complied with the CG Code, followed all code provisions and met the requirements of the majority of the recommended best practices set out in the CG Code.

II. SHAREHOLDERS AND GENERAL MEETINGS

(i) Rights of General Meetings and Shareholders

As the supreme authority of the Company, the general meeting of the Company exercises its rights according to the requirements of the Articles of Association and the procedural rules of the general meeting. The Company strictly adheres to the rules in convening and conducting the general meeting and ensures that all shareholders have equal rights and can fully exercise their rights. In 2014, the Company has convened 4 general meetings to answer the concerns of shareholders in detail and to carefully listen to opinions and suggestions expressed by the shareholders regarding the development of the Company.

(ii) Overview of General Meetings

During the Reporting Period, the Company convened 2 general meetings and one for each of Domestic Share and H Share class meetings, the details and resolutions of which are as follows:

1. On 25 April 2014, the first extraordinary general meeting of the Company in 2014 was convened and the following items were reviewed and passed: Amendment to the plan of issuance of A Shares, authorization to the Board in handling specific matters of issuance of A Shares, amendments to the Articles of Association for the issuance of A Shares, Shareholders' return plan in three years after the issuance of A Shares, budget for stabilizing the price of new A Shares of the Company in three years after the issuance of A Shares, commitment letter of repurchasing new A Shares under the issuance of A Shares, commitment letter of compensation for loss of investors in accordance with law and other amendments to the Articles of Association.
2. On 25 April 2014, the Domestic Share class meeting of the Company was convened and the following items were reviewed and passed: Amendment to the plan of issuance of A Shares, authorization to the Board in handling specific matters of issuance of A Shares, budget for stabilizing the price of A Shares of the Company in three years after the issuance of A Shares and commitment letter of repurchasing new A Shares under the issuance of A Shares.
3. On 25 April 2014, the H Shares class meeting of the Company was convened and the following items were reviewed and passed: Amendment to the plan of issuance of A Shares, authorization to the Board in handling specific matters of issuance of A Shares, budget for stabilizing the price of A Shares of the Company in three years after the issuance of A Shares and commitment letter of repurchasing A Shares under the issuance of A Shares.



SECTION X CORPORATE GOVERNANCE REPORT

4. On 12 June 2014, the annual general meeting of the Company was convened and the following items were reviewed and passed: the 2013 Report of the Board of Directors, the 2013 Report of Supervisory Committee, the 2013 Annual Report, the 2013 Final Accounts, the 2013 Profit Distribution Plan, the 2014 Budget for Capital Expenditure, renewal of employment of external auditing firm in 2014 and the special report on the deposit and actual use of funds previously raised.

III BOARD OF DIRECTORS AND PERFORMANCE OF DUTIES

(i) Duties of the Board of Directors and the Management

The powers and duties of the Board and the management are clearly set out in the Articles of Association, which provides for an adequate check and balance mechanism to ensure good corporate governance and internal control.

The duties of the Board includes convening general meetings; executing the resolutions passed at general meetings; determining the business and investment plans of the Company; determining the establishment of internal management organizations; appointing or dismissing the general manager (president), the secretary of the Board and the compliance officer; appointing or dismissing the deputy general manager (vice-president), the finance manager and other senior officers according to the nomination by the general manager (president) and determining their remuneration and incentive and punishment; establishing the basic administrative systems of the Company and supervising, reviewing and evaluating the establishment and execution of the various internal control systems.

The management of the Company, among other things, organizes the implementation of the resolutions of the Board, organizes the implementation of the annual business and investment plans of the Company, consistently executes the financial budget of the Company, formulates the specific rules of the Company and decides on the employment and dismissal of employees.

(ii) Composition of the Board of Directors

The Board will constantly modify the procedural rules of the Board of Directors, and exert its professional advantage as a special committee to further improve its decision-making efficiency and ability. The independent non-executive Directors have faithfully performed their duties and have protected the overall interests of the Company, especially the interests of small and medium shareholders, which ensured the independence and scientificity of the decision-making by the Board.

The Board of the Company currently comprises of 11 Directors, which includes 5 non-executive Directors (Mr. Chen Youan, Mr. Xu Guoping, Mr. Li Chenghui, Mr. Shi Xun and Ms. Qi Xiaoli), 2 executive Directors (Mr. Gu Weiguo and Mr. Wu Chengming), 4 independent non-executive Directors (Mr. Wang Shiding, Mr. Liu Feng, Mr. Zhou Ruijin and Mr. Wu Yuwu), among which the number of independent Directors accounts for more than one third of the number of Directors. Mr. Chen Youan is the chairman of the Board and Mr. Gu Weiguo is the vice chairman. There is no relation (including financial, business, familial and other major or relevant relations) between or amongst the Directors, Supervisors and senior management officers.

Directors are elected by the general meeting and are eligible for re-election upon the expiration of the term which is 3 years. The Company confirms that the Company has received the annual confirmation of independence from each of the independent Directors pursuant to Rule 3.13 of the Listing Rules and the Company continues to confirm the independence of the independent Directors.

According to the resolutions passed at the 4th extraordinary general meeting of 2013, the Company has purchased liability insurance for Directors, Supervisors and senior management to control the legal and regulatory risks which the Directors, Supervisors and senior management may encounter during the performance of their duties and to further encourage them to perform their duties fully and diligently.



SECTION X CORPORATE GOVERNANCE REPORT

(iii) Meetings of the Board of Directors

During the Reporting Period, the Board of Directors convened 9 meetings, the details and resolutions passed are as follows:

1. On 1 March 2014, the 39th meeting (extraordinary) of the 2nd session of the Board was convened. The following items were reviewed and passed: the “Resolution on Reviewing and Amending the Plan of IPO and Listing of the Company”, the “Resolution on Reviewing Specific Matters of Full Authorization to the Board of Directors in Handling the IPO of A Shares and Listing by General Meeting”, the “Resolution on Reviewing and Amending the Articles of Association of China Galaxy Securities Co., Ltd.”, the “Resolution on Reviewing the shareholders’ Return Plan in Three Years After IPO of A Shares and Listing”, the “Resolution on Reviewing the Budget for Stabilizing the Price of A Shares in Three Years After the IPO of A Shares and Listing”, the “Resolution on Reviewing the Commitment Letter of Repurchasing New A Shares of IPO”, the “Resolution on Reviewing the Commitment Letter of Compensation for Loss of Investors in Accordance with Law”, the “Resolution on Convening the First Extraordinary Meeting in 2014, the First Domestic Shares Class Meeting in 2014 and the First H Shares Class Meeting in 2014”, the “Resolution of IT Development of the Company from 2014 to 2016”, the “Resolution on Reviewing the Launch of Gold Contract Agency Business by the Company” and the “Resolution on Amending the Articles of Association.”
2. On 26 March 2014, the 40th meeting (regular) of the 2nd session of the Board was convened. The following items were reviewed and passed: the “Resolution on Reviewing the Profit Distribution Plan of China Galaxy Securities Co., Ltd. for the Period 1 January 2013 to 30 April 2013”, the “Resolution on Reviewing the 2013 Final Accounts of China Galaxy Securities Co., Ltd.”, the “Resolution on Reviewing the 2013 Profit Distribution Plan of China Galaxy Securities Co., Ltd.”, the “Resolution on Reviewing the 2013 Compliance Report of China Galaxy Securities Co., Ltd.”, the “Resolution on Reviewing 2013 Evaluation Report of Internal Control”, the “Resolution on Reviewing the 2013 Annual Report of China Galaxy Securities Co., Ltd.”, the “Resolution on Reviewing the 2013 Working Report of the President”, the 2013 Working Report of the Board of Directors, the “Resolution on Nominating the External Auditing Firm for Appointment in 2014”, the “Resolution on the Draft Business Plan for 2014”, the “Resolution of the 2014 Draft Budget for Capital Expenditure of China Galaxy Securities Co., Ltd.”, the “Resolution on Reviewing the Special Report of Deposit and Actual Use of Funds Previously Raised of China Galaxy Securities Co., Ltd.”, the “Resolution on Reviewing the Audit Reports for 2011, 2012 and 2013 of China Galaxy Securities Co., Ltd.”, the “Resolution on Reviewing the Increase of the Registered Capital of China Galaxy International” and the “Resolution on Convening the 2013 Annual General Meeting”.
3. On 28 May 2014, the 41st meeting (extraordinary) of the 2nd session of the Board was convened. The “Resolution on Adjustment of the Sponsor (Lead Underwriter) of the IPO of A Shares and Listing” was reviewed and passed.
4. On 25 July 2014, the 42nd meeting (regular) of the 2nd session of the Board was convened. The “Resolution on Reviewing the 2013 Risk Management Report of China Galaxy Securities Co., Ltd.” was reviewed and passed.
5. On 16 August 2014, the 43rd meeting (regular) of the 2nd session of the Board was convened. The following items were reviewed and passed: the “Resolution on Reviewing the 2014 Interim Reports of China Galaxy Securities Co., Ltd.”, the “Resolution on Reviewing and Amending Financial Statements and Audit Reports of China Galaxy Securities Co., Ltd. for Three Years and One Period”, the “Resolution on Reviewing the Special Report of Deposit and Actual Use of Funds Previously Raised of China Galaxy Securities Co., Ltd.”, the “Resolution on Reviewing the Evaluation Report of Internal Control for the First Half of 2014”, the “Resolution on Reviewing the 2014 Interim Compliance Report of the Company”, the “Resolution on Reviewing the 2014 Interim Risk Management Report of China Galaxy Securities Co., Ltd.”, the “Resolution on Reviewing the Management Measures for Authorization to President by the Board of Directors”, the “Resolution on Reviewing the Letter of Authorization to President by the Board of Directors in 2014” and the “Resolution on Renewal of the Lease of Block C, International Enterprise Building as the Head Office of the Company”.



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6. On 6 November 2014, the 44th meeting (extraordinary) of the 2nd session of the Board was convened. The “Resolution on Ceasing to employ Dai Xu as a Member of the Executive Committee and the Chief Business Officer of the Fixed Income Business Line” was reviewed and approved.
7. On 8 December 2014, the 45th meeting (regular) of the 2nd session of the Board was convened. The following items were reviewed and passed: the “Resolution on the Issuance of Corporate Bonds of the Company”, the “Resolution on the Issuance of Short-Term Financing Bonds of the Company”, the “Resolution on Making Capital Contribution to Jiangxi Equity Trading Center Co., Ltd.”, the “Resolution on Amending the Articles of Association”, the “Resolution on the Fixed Poverty Reduction Donation to Jingning County in Gansu Province form 2014 to 2016” and the “Resolution on Applying for Adjustment to Authorization of the Board of Directors due to Increase In Scale of Margin Financing and Securities Lending”.
8. On 12 December 2014, the 46th meeting (extraordinary) of the 2nd session of the Board was convened. The “Resolution on Making Capital Contribution for the Establishment of Zheng Tong Co., Ltd.” was reviewed and passed.
9. On 25 December 2014, the 47th meeting (extraordinary) of the 2nd session of the Board was convened. The following items were reviewed and passed: the “Resolution on Reviewing the Three-year Capital Planning (2015-2017) of the Company”, the “Resolution on Adjusting the Annual Caps for Continuing Connected Transactions for Security Services Provided to Galaxy Financial Holdings Group”, the “Resolution on Reviewing the Anti-Money Laundering and Anti-Terrorism Financing Management System of China Galaxy Securities Co., Ltd.”, the “Resolution on Applying for Adjustments to Authorization of the Board by General Meeting” and the “Resolution on Applying Adjustments to Relevant Authorization of the Board.”

In addition, on 12 December 2014, the chairman and the non-executive Director of the Company held a meeting to consider and discuss matters relating to the Company’s strategic development.

(iv) Objections Raised by the Independent Directors on relevant issues of the Company

1. On 1 March 2014, the “Resolution on the Profit Distribution Plan of China Galaxy Securities Co., Ltd. for the period from 1 January 2013 to 30 April 2013” was reviewed at the 39th extraordinary meeting of the 2nd session of the Board of the Company. Independent non-executive Director, Mr. Liu Feng voted against the resolution. (The reason was as follow: He considered that the special dividend specified in this resolution was inconsistent with the long-term dividend policy of the Company. It might mislead the expectation of investors and further research and explanation were required.)
2. On 25 July 2014, the “Resolution on the 2012 Remuneration Settlement Program of Persons In Charge of the Company” was reviewed at the 42nd regular meeting of the 2nd session of the Board of the Company. Independent non-executive Director, Mr. Wang Shiding voted against the resolution. (The reason was as follow: He believed an excessive difference of remuneration between senior management and general staff would affect the motivation of staff and corporate image. He suggested re-submitting the resolution after the coordination with all parties and the remuneration plan of the Company shall be reformed thoroughly). Independent non-executive Director, Mr. Wu Yuwu voted against the resolution. (The reason was as follow: The settlement plan should provide the co-relation between the change in results and the change in staff remuneration of various departments from 2011 to 2012, to which the change in remuneration of senior management of departments should correspond.)



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(v) Attendance of Directors at Board meetings and general meetings

1. Attendance and voting of Directors at the Board meetings

Director's Name	Required attendance at Board meetings	Attendance in person	Attendance by proxy	Numbers of resolutions required for voting	Numbers of resolutions actually voted
Chen Youan	9	7	2	52	52
Gu Weiguo	9	8	1	52	52
Xu Guoping	9	9	0	52	52
Wu Chengming	9	9	0	53	53
Li Chenghui	9	8	1	52	52
Shi Xun	9	9	0	53	53
Wang Shiding	9	6	3	53	53
Liu Feng	9	8	1	53	53
Zhou Ruijin	9	6	3	53	53
Wu Yuwu	9	9	0	53	53
Qi Xiaoli	9	7	2	52	52

Note: At the 47th meeting (extraordinary) of the 2nd session of the Board of China Galaxy Securities Co., Ltd., the "Resolution on Adjusting the Annual Caps for Continuing Connected Transactions for Security Services Provided to Galaxy Financial Holdings Group" was reviewed. The directors Chen Youan, Gu Weiguo, Xu Guoping, Li Chenghui and Qi Xiaoli abstained from voting on this resolution.

2. Attendance of Directors at general meetings

Director's Name	Required attendance at general meetings	Attendance
Chen Youan	4	4
Gu Weiguo	4	4
Xu Guoping	4	3
Wu Chengming	4	4
Li Chenghui	4	4
Shi Xun	4	4
Wang Shiding	4	0
Liu Feng	4	4
Zhou Ruijin	4	0
Wu Yuwu	4	4
Qi Xiaoli	4	4



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(vi) Training for Directors

No.	Date of training	Training Participants	Training contents
1	10 January 2014	Chen Youan, Gu Weiguo, Li Chenghui, Shi Xun, Qi Xiaoli	Responsibility of Directors, Supervisors and senior management under the reform on IPO mechanism, and the new requirements of information disclosure and regulated operation; responsibility of Directors, Supervisors and senior management under the new IPO policy; special guidance in relation to financial statements, information disclosure and relevant work
2	15 January 2014	Wu Chengming, Li Chenghui	IT three-year (2014-2016) development plan of the Company
3	19 February 2015	Chen Youan, Gu Weiguo, Xu Guoping, Wu Chengming, Li Chenghui, Shi Xun, Wang Shiding, Liu Feng, Zhou Ruijin, Qi Xiaoli	Report on competition for commissions in the Japanese securities market and the response, transformation and market strategy implementation of securities brokers
4	1 March 2014	Chen Youan, Gu Weiguo, Xu Guoping, Wu Chengming, Li Chenghui, Shi Xun, Wang Shiding, Liu Feng, Zhou Ruijin, Wu Yuwu, Qi Xiaoli	Opportunities and challenges under internet finance, Galaxy Securities' path of internet finance
5	3 June 2014	Chen Youan, Gu Weiguo, Xu Guoping, Wu Chengming, Li Chenghui, Shi Xun, Wang Shiding, Liu Feng, Zhou Ruijin, Wu Yuwu, Qi Xiaoli	Introduction of the capital operation of A+H Shares listed companies
6	23-27 August 2014	Liu Feng, Wu Yuwu	The 32th session listed company independent director quality training organized by Shanghai Stock Exchange
7	10 December 2014	Chen Youan, Gu Weiguo, Xu Guoping, Wu Chengming, Li Chenghui, Shi Xun, Wang Shiding, Liu Feng, Zhou Ruijin	Innovative development of securities companies under the trend of internet finance
8	10 December 2014	Chen Youan, Gu Weiguo, Xu Guoping, Wu Chengming, Li Chenghui, Shi Xun, Liu Feng, Zhou Ruijin	Capital replenishment mechanism and capital operation of international investment banks, and recommendations to China Galaxy
9	11 December 2014	Chen Youan, Gu Weiguo, Xu Guoping, Wu Chengming, Li Chenghui, Shi Xun, Liu Feng, Zhou Ruijin	Stock taking and forecast of the securities market
10	11 December 2014	Chen Youan, Gu Weiguo, Xu Guoping, Wu Chengming, Li Chenghui, Shi Xun, Liu Feng, Zhou Ruijin	The regulation of corporate governance and information disclosure of SSE-listed companies



SECTION X CORPORATE GOVERNANCE REPORT

IV. SPECIAL COMMITTEES UNDER THE BOARD AND PERFORMANCE OF DUTIES

The Strategy and Development Committee, Risk Management Committee, Nomination and Remuneration Committee and Audit Committee have been established under the Board. The committees assist the Board in conducting work within the authorization specified by the terms of reference, and are accountable to and report to the Board.

Name of Committee	Members of Committee
Strategic Development Committee	Chen Youan (Chairman), Gu Weiguo, Xu Guoping, Wu Chengming, Li Chenghui, Shi Xun, Qi Xiaoli, Wang Shiding, Liu Feng, Wu Yuwu, Zhou Ruijin
Risk Management Committee	Li Chenghui (Chairman), Gu Weiguo, Xu Guoping, Wu Chengming, Shi Xun, Liu Feng, Qi Xiaoli
Nomination and Remuneration Committee	Liu Feng (Chairman), Wang Shiding, Wu Yuwu, Zhou Ruijin, Li Chenghui
Audit Committee	Wang Shiding (Chairman), Liu Feng, Wu Yuwu, Zhou Ruijin, Shi Xun

(i) Strategy and Development Committee

1. Functions of the Committee

The essential duties and responsibilities of the Strategy and Development Committee are: (1) to review the strategic development plans and to make recommendations to the Board; (2) to review the Company's strategic capital allocation plans and to make recommendations to the Board; (3) to evaluate the balanced development of various businesses and to make recommendations to the Board; (4) to review the major organizational restructuring and organizational structure plans and to make recommendations to the Board; (5) to conduct preliminary review of the Company's major investments, assets disposals and financing plans and to make recommendations to the Board; (6) to study other major issues affecting the development of the Company and to make recommendations to the Board; and (7) other matters authorized by the Board. For specific duties and responsibilities of the Strategy and Development Committee, please refer to the Terms of Reference of the Strategy and Development Committee of the Company, which has been published on the website of the Company.

2. Work summaries and meetings of the Committee

During the Reporting Period, the Strategy and Development Committee convened 7 meetings, at which in-depth studies, discussion and demonstration of various issues were conducted in respect of the final accounts, the profit distribution plan, business plans, foreign investment, the issuance of debt financing instruments and the three-year capital planning of the Company. Recommendations were made to the Board, which effectively assisted the Board in carrying out related work.

Details of the meetings of the Strategy and Development Committee are set out below:

- (1) On 14 February 2014, the 18th meeting of the Strategy and Development Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the following resolutions to the Board for review: the "Resolution on Reviewing the Launch of the Business of Gold Contract Agency by the Company" and the "Resolution on Amending the Articles of Association".



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- (2) On 19 February 2014, the 19th meeting of the Strategy and Development Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the following resolutions to the Board for review: the “Resolution on Reviewing and Amending the Plan of IPO and Listing of the Company”, the “Resolution on Reviewing Specific Matters of Full Authorization to the Board of Directors in Handling the IPO of A Shares and Listing by General Meeting”, the “Resolution on Reviewing and Amending the Articles of Association of China Galaxy Securities Co., Ltd.”, the “Resolution on Reviewing the Shareholders’ Return Plan in Three Years After the IPO of A Shares and Listing”, the “Resolution on Reviewing the Budget of Stabilizing the Price of A Shares in Three Years After the IPO of Shares and Listing”, the “Resolution on Receiving the Commitment Letter of Repurchasing New A Shares of IPO”, the “Resolution on Reviewing the Commitment Letter of Compensation for Loss of Investors in Accordance with Law”, the “Resolution on Convening the First Extraordinary General Meeting in 2014, Domestic Shares Class Meeting in 2014 and H Shares Class Meeting in 2014”, the “Resolution on the 2014 Business Plan of the China Galaxy Securities Co., Ltd.” and the “Resolution on the 2014 Draft Capital Expenditure Budget of China Galaxy Securities Co., Ltd”.
- (3) On 5 March 2014, the 20th meeting of the Strategy and Development Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the following resolutions to the Board for review: the 2013 Profit Distribution Plan, the 2013 Working Report of the Board of Directors, the 2013 Working Report of the Strategic Development Committee of the Board of Directors, the “Resolution on Reviewing the Increase in Registered Capital of China Galaxy International”, the “Resolution on Reviewing the Report on the Use of Funds Previously Raised of China Galaxy Securities Co., Ltd.”, and the “Resolution of 2014 Draft Business Plan of China Galaxy Securities Co., Ltd”.
- (4) On 12 June 2014, the 21st meeting of the Strategy and Development Committee of the 2nd session of the Board was convened, at which the committee discussed matters related to the selection and appointment of domestic and overseas legal advisors specializing in corporate governance.
- (5) On 6 November 2014, the 22nd meeting of the Strategy and Development Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the following resolutions to the Board for review: the “Resolution on Issuance of Corporate Bonds of the Company”, the “Resolution on the Issuance of Short-Term Financing Bonds of the Company”, the “Resolution on Making Capital Contribution to Jiangxi Equity Trading Center Co., Ltd.”, the “Resolution on Amending the Articles of the Association” and the “Resolution to the Fixed Poverty Reduction Donation of RMB2 Million to Jingning County in Gansu Province”.
- (6) On 12 December 2014, the 23rd meeting of the Strategy and Development Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the following resolutions to the Board for review: the “Resolution on Reviewing the Three-year Capital Planning (2015-2017) of the Company”, the “Resolution on Making Capital Contribution for the Establishment of Zheng Tong Company” and the “Resolution on Establishing China Galaxy Securities Research Institute”.
- (7) On 25 December 2014, the 24th meeting of the Strategy and Development Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the following resolutions to the Board for review: the “Resolution on the 2015 Business Plan of China Galaxy Securities Co., Ltd”. and the “Resolution on the 2015 Capital Expenditure Budget of China Galaxy Securities Co., Ltd.”



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3. Attendance of members

Name of Members	Required Attendance at Meetings	Actual Attendance
Chen Youan	7	6
Gu Wei Guo	7	7
Xu Guoping	7	4
Wu Chengming	7	7
Li Chenghui	7	7
Shi Xun	7	7
Wang Shiding	7	4
Liu Feng	7	7
Zhou Ruijin	7	4
Wu Yuwu	7	7
Qi Xiaoli	7	6

(ii) Risk Management Committee

1. Functions of the Committee

The essential duties and responsibilities of the Risk Management Committee are: (1) to review the Company's risk management policies and risk standards, as well as the fundamental concepts and scope of compliance management; (2) to review and provide comments on the overall target and basic policies of compliance and risk management; (3) to supervise and monitor the development of risk and compliance management systems of the Company; (4) to formulate the Company's corporate governance policies, and to monitor its implementation; (5) to review and monitor the Company's policies regarding compliance with laws and regulatory rules as well as its implementation; (6) to monitor the effective implementation of risk and compliance management by the management of the Company and to evaluate the performance of the senior management in charge of risk and compliance management; and (7) other matters as authorized by the Board. For the specific duties and responsibilities of the Risk Management Committee, please refer to the Terms of Reference of the Risk Management Committee of the Company, which has been published on the website of the Company.

2. Work summaries and meetings of the Committee

During the Reporting Period, the Risk Management Committee convened 5 meetings for further promoting the risk and compliance management of the Company. The committee primarily considered and reviewed the proposal of authorizations to the Board by the general meeting and the 2013 Compliance Report and the 2014 Interim Compliance Report. The committee actively performed its duties and provided support for the Board in its decision-making.

Details of the meetings of the Risk Management Committee are set out below:

- (1) On 6 March 2014, the 10th meeting of the Risk Management Committee of the 2nd session of the Board was convened, at which the committee reviewed and agreed to submit the 2013 Compliance Report of the Company and the 2013 Working Report of the Risk Management Committee of the Board to the Board for review.
- (2) On 26 March 2014, the 11th meeting of the Risk Management Committee of the 2nd session of the Board was convened, at which the committee reviewed and agreed to submit the "Resolution on Reviewing the 2013 Risk Management Report of China Galaxy Securities Co., Ltd." to the Board for review.



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- (3) On 25 July 2014, the 12th meeting of the Risk Management Committee of the 2nd session of the Board was convened, at which the committee reviewed and agreed to submit the following resolutions to the Board for review: the “Resolution on Reviewing 2014 Interim Compliance Report”, the “Resolution on Reviewing the 2014 Interim Risk Management Report of China Galaxy Securities Co., Ltd.”, the “Resolution on Reviewing the Management Measures of Authorization to President by the Board” and the “Resolution on Reviewing the 2014 Letter of Authorization to President by the Board” and the “Resolution on Reviewing the 2013 Risk Management Report of China Galaxy Securities Co., Ltd.”
- (4) On 8 November 2014, the 13th meeting of the Risk Management Committee of the 2nd session of the Board was convened, at which the committee reviewed and agreed to submit the “Resolution on Applying Adjustments to Relevant Authorization of the Board due to the Increase in Scale Margin Financing and Securities Lending” to the Board for review.
- (5) On 25 December 2014, the 14th meeting of the Risk Management Committee of the 2nd session of the Board was convened, at which the committee reviewed and agreed to submit the following resolutions to the Board for review: the “Resolution on Reviewing the Anti-Money Laundering and Anti-Terrorism Financing Management System of China Galaxy Securities Co., Ltd.”, the “Resolution on Applying for Adjustments to Authorization to the Board by the General Meeting” and the “Resolution on Applying for Adjustments to Relevant Authorization of the Board.”

3. Attendance of members

Name of Members	Required Attendance at Meetings	Actual Attendance
Li Chenghui	5	5
Gu Weiguo	5	4
Xu Guoping	5	4
Wu Chengming	5	4
Shi Xun	5	5
Liu Feng	5	5
Qi Xiaoli	5	5



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(iii) Nomination and Remuneration Committee

1. Functions of the Committee

The essential duties and responsibilities of the Nomination and Remuneration Committee are: (1) to make recommendations to the Board on the size and composition of the Board and the Board committees based on the Company's operations, the total amount of assets and the equity structure; (2) to make recommendations to the Board on the number and composition of the senior management based on the Company's requirements of business operation as well as the requirements of the regulatory authorities; (3) to review the selection criteria and procedures for Directors and senior management and to make recommendations to the Board; (4) to search broadly for qualified individuals as candidates for Directors and senior management; (5) to conduct review of the qualifications and conditions of the candidates for Directors based on the selection criteria and procedures and to make recommendations to the Board; (6) to review the qualifications and conditions of the candidates for general manager (president), chief compliance officer and secretary to the Board nominated by the chairman, as well as the vice general manager (vice president), the chief financial officer and other senior management officers nominated by the general manager (president), based on the selection criteria and procedures and to make recommendations to the Board; (7) to make recommendations to the Board on the candidates for members of other committees under the Board; (8) to formulate development plans of the senior management and training plans of key candidates and to make recommendations to the Board; (9) to review and provide opinions on the assessment and remuneration management systems for Directors and senior management; (10) to formulate the criteria and the procedure for the review of the performance of Directors and senior management and to implement and provide opinions on the performance review of Directors and senior management; (11) to formulate salary incentive policies and plans for the Directors (including non-executive Directors) and senior management and to make recommendations to the Board; (12) to make recommendations to the Board on the specific remuneration of executive Directors, Supervisors and senior management (including non-monetary benefits, pension rights and compensation for loss or termination of office or appointment); (13) to review the Company's basic remuneration management system and policies and to evaluate their effectiveness; and (14) other matters as authorized by the Board. For specific duties and responsibilities of the Nomination and Remuneration Committee, please refer to the Terms of Reference of the Nomination and Remuneration Committee of the Company, which has been published on the website of the Company and the HKExnews website of the Hong Kong Stock Exchange.

2. Work summaries and meetings of the Committee

During the Reporting Period, the Nomination and Remuneration Committee convened 2 meetings, at which the committee mainly studied and discussed the 2012 Remuneration Settlement Program and the 2013 Assessment Program of Senior Management, which provided professional support for the decision-making by the Board. The committee has made recommendations to the Board on the remuneration of Directors and senior management officers.



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Details of the meetings of the Nomination and Remuneration Committee are set out below:

- (1) On 5 March 2014, the 20th meeting of the Nomination and Remuneration Committee of the 2nd session of the Board was convened, at which the committee discussed and submitted the 2012 Remuneration Settlement Program of Persons In Charge of the Company and the 2013 Working Report of the Nomination and Remuneration Committee of the Board to the Board for review.
- (2) On 28 May 2014, the 21st meeting of the Nomination and Remuneration Committee of the 2nd session of the Board was convened, at which the committee discussed the 2013 Assessment Program on Operation Targets of the Operational Management Officers of China Galaxy Securities Co., Ltd.

3. Attendance of members

Name of Members	Required Attendance at Meetings	Actual Attendance
Liu Feng	2	2
Wang Shiding	2	0
Li Chenghui	2	2
Zhou Ruijin	2	1
Wu Yuwu	2	2

(iv) Audit Committee

1. Functions of the Committee

The essential duties and responsibilities of the Audit Committee are: (1) to supervise the disclosure of the Company's accounting information and other major issues; (2) to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, to approve the remuneration and the terms of appointment of the external auditors and to deal with any relevant issues regarding the resignation or removal of external auditors; (3) to monitor the annual audit and make judgment on the truthfulness, accuracy and integrity of the audited information contained in the financial reports, and to submit to the Board for review; (4) to control connected transactions and conduct daily management under the leadership of the Board; (5) to review and evaluate the Company's internal control system; (6) to review, monitor and evaluate the Company's internal audit, to monitor the Company's internal audit system and the implementation of internal audit plans, and to review and evaluate the procedure and effectiveness of the work of the internal audit departments; and (7) other matters as authorized by the Board. For specific duties and responsibilities of the Audit Committee, please refer to the Terms of Reference of the Audit Committee of the Company, which has been published on the website of the Company and the HKExnews website of the Hong Kong Stock Exchange.

2. Work summaries and meetings of the Committee

The Audit Committee convened 6 meetings, at which the committee mainly discussed various issues in respect of the appointment of the external auditor for the Company in 2014, the 2014 interim report, the self-evaluation report on internal control from January to June in 2014 and the adjustment of the annual caps for continuing connected transactions for securities services provided to Galaxy Financial Holdings Group. The committee also organized and implemented self-evaluation on the internal control and the evaluation of the effectiveness of compliance management of the Company.



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Details of the meetings of the Audit Committee are set out below:

- (1) On 19 February 2014, the 16th meeting of the Audit Committee of the 2nd session of the Board was convened, at which the committee primarily discussed the matters related to the appointment of external auditing firm of the Company for 2014, and reviewed the working plan of internal audit for 2014 and renewal of appointment of accounting firm for the audit on resignation of persons in charge of local branches in 2014.
- (2) On 5 March 2014, the 17th meeting of the Audit Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review of the 2013 Final Accounts of the Company, the Evaluation Report on Internal Control of the Company, the 2013 Annual Report of the Company, the “Resolution on Reviewing the Audit Report for Year 2011, 2012 and 2013 of China Galaxy Securities Co., Ltd.” The committee reviewed and passed the 2013 Evaluation Report on the Effectiveness of Compliance Management. It discussed and confirmed the 2013 Working Report of the Audit Committee of the Board and submitted it to the Board for review.
- (3) On 20 March 2014, the 18th meeting of the Audit Committee of the 2nd session of the Board was convened, at which the committee discussed the 2013 Annual Report of the Company.
- (4) On 25 July 2014, the 19th meeting of the Audit Committee of the 2nd session of the Board was convened, at which the committee listened to the “Report on the Information Work of Related Party for the First Quarter of 2014”, the “Report on the Information Work of Related Party for the Second Quarter of 2014” and the report on the review of interim financial statements by the accountant. The committee reviewed and passed the “Request for Reporting of Internal Audit Information”, made a preliminary review of and discussed the “Resolution on Renewal of the Lease of Block C, International Enterprise Building as the Head Office of the Company”, the Resolution on “Reviewing the 2014 Interim report of China Galaxy Securities Co., Ltd”, the “Evaluation Report on Internal Control of China Galaxy Securities Co., Ltd for the First Half of 2014”, and agreed to submit them to the Board for review.
- (5) On 6 November 2014, the 20th meeting of the Audit Committee of the 2nd session of the Board was convened, at which the committee listened to the “Report on the Information Work of Related Party for the Third Quarter of 2014” and reviewed the “Request for Implementation of Evaluation of Internal Control of the Company for 2014”.
- (6) On 25 December 2014, the 21st meeting of the Audit Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the “Resolution on Adjusting the Annual Caps for Continuing Connected Transactions for Security Services Provided to Galaxy Financial Holdings Group” to the Board for review.



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3. Attendance of Members

Name of Members	Required Attendance at Meetings	Actual Attendance
Wang Shiding	6	5
Liu Feng	6	6
Shi Xun	6	5
Zhou Ruijin	6	0
Wu Yuwu	6	6

V. CHAIRMAN AND GENERAL MANAGER (PRESIDENT)

The roles of the chairman of the Board and general manager are separate in order to ensure the independence of their respective responsibilities and the balanced distribution of authorities. Currently, Mr. Chen Youan and Mr. Gu Weiguo hold the positions of chairman of the Board and general manager, respectively, and their responsibilities and authorities are clearly divided and shown in the Articles of Association.

The chairman of the Board is also the legal representative of the Company.

Mr. Chen Youan, the chairman of the Board, leads the Board to determine the Company's development strategies, to ensure the effective operation of the Board and the performance of its duties, and to fully discuss the issues within the scope of responsibilities of the Board, ensuring the information which is necessary for the Board to make decisions are true, accurate, complete and timely, ensuring the Company follows good corporate governance procedures and that the Board's decisions are in the best interests of the Company and all shareholders. Mr. Gu Weiguo, the general manager, is in charge of the operational management of the Company, organizes the implementation of the resolutions of the Board and reports to the Board.

VI. NON-EXECUTIVE DIRECTORS

The Company has 5 non-executive Directors and 4 independent non-executive Directors. For the terms of office, please refer to the "Basic information on current Directors, Supervisors and senior management and those resigned during the Reporting Period" section of this report.

VII. SUPERVISORY COMMITTEE AND PERFORMANCE OF DUTIES

(i) Responsibilities and duties of the Supervisory Committee

The Supervisory Committee shall be accountable to the general meeting and the essential duties and responsibilities are: (1) to review the Company's periodical reports prepared by the Board and to provide comments in writing; (2) to review the Company's financials; (3) to monitor the establishment and implementation of internal control by the Board; (4) to supervise the conduct of the Directors and senior management in discharge of their duties and to advise on the dismissal of any Director and senior management who are in breach of laws, administrative regulations, the Articles of Association or resolutions of the general meetings; (5) to conduct audits on retiring or resigning senior management; (6) to take legal actions against Directors and senior management in accordance with Article 152 of the Company Law; (7) to prepare proposals regarding the amount and distribution method of the emoluments of Supervisors for approval at the general meeting; and (8) to exercise other powers as authorized by the Articles of Association or general meetings. For specific duties and responsibilities of the Supervisory Committee, please refer to the Terms of Reference of the Supervisory Committee, which has been published on the website of the Company.



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(ii) Meeting of Supervisory Committee and Attendance of Supervisors

The Supervisory Committee performs its relevant responsibilities and duties in accordance with related laws and regulations and the Articles of Association. During the Reporting Period, the Supervisory Committee held 2 meetings, the main contents of which are as follows:

1. On 25 – 26 March 2014, at the 1st meeting (regular) of the 2nd session of the Supervisory Committee in 2014, the “Resolution on Reviewing the 2013 Supervisory Committee’s Working Report of China Galaxy Securities Co., Ltd.”, the “Procedural Rules for the Financial Monitoring Committee of the Supervisory Committee of China Galaxy Securities Co., Ltd.”, the “Procedural Rules for the Performance Monitoring Committee of the Supervisory Committee of China Galaxy Securities Co., Ltd.”, the “Resolution on the Composition of the Financial Monitoring Committee of the Supervisory Committee of China Galaxy Securities Co., Ltd.”, the “Resolution on the Composition of the Performance Monitoring Committee of the Supervisory Committee of China Galaxy Securities Co., Ltd.”, the “Resolution on the 2013 Final Accounts of China Galaxy Securities Co., Ltd.”, the “2013 Compliance Report of China Galaxy Securities Co., Ltd.”, the “2013 Evaluation Report of Internal Control of China Galaxy Securities Co., Ltd.” and the “2013 Annual Report of China Galaxy Securities Co., Ltd.” were passed. The committee listened to the work report from the Supervisors and assessed the performance of the responsible Supervisor Mr. Zhong Cheng. The assessment result was distinction.
2. On 22 August 2014, at the 2nd meeting (regular) of the 2nd session of the Supervisory Committee in 2014, the following reports and resolutions were passed: the “2014 Interim Report of China Galaxy Securities Co., Ltd.”, the “2014 Interim Risk Management Report of China Galaxy Securities Co., Ltd.”, the “2014 Interim Compliance Report of China Galaxy Securities Co., Ltd.”, the “Evaluation Report of Internal Control of China Galaxy Securities Co., Ltd. for the First Half of 2014”, and the “Resolution on Renewal of the Lease of Block C, International Enterprise Building as the Head Office of the Company”.

Name of Supervisor	Required Attendance at	
	Meetings	Actual Attendance
Yu Wenxiu	2	2
Zhong Cheng	2	2
Wu Huanliang	2	2
Gu Shulin	2	2
Liu Zhiyi	2	2

VIII OTHER RELEVANT MATTERS

(i) Rights of shareholders

The Company convenes and holds the general meeting in strict compliance with the relevant requirements of the Articles of Association, and the procedural rules of the general meeting, ensuring all shareholders, in particular medium and small shareholders, are able to enjoy equal status and sufficiently exercise their respective rights. All Directors, Supervisors and the senior management of the Company attended the general meetings and answered questions from shareholders in accordance with the provisions of the Articles of Association.

(ii) Compliance with the Code on securities Transactions

The Company has adopted the Model Code for securities transactions by Directors and Supervisors. The Company has made specific enquiries to all Directors and Supervisors concerning the compliance with the Model Code. All Directors and Supervisors confirmed that they have complied with all standards set out in the Model Code during the Reporting Period.



SECTION X CORPORATE GOVERNANCE REPORT

(iii) Responsibilities of Directors for the Financial Statements

The following responsibility statement of Directors regarding the financial statements shall be read in conjunction with the responsibility statement of the public certified accountants included in the independently audited financial statements of this report. Each responsibility statement shall be understood separately.

All Directors acknowledge and confirm that they have responsibilities to compile the financial statements which truly reflects the business results of the Company in each financial year. To the best knowledge of all Directors, there are no events or situations which may cause any material adverse impact on the ongoing operations of the Company.

(iv) Appointment and Remuneration of Auditing Firm

With the approval by the annual general meeting in 2014, the Company resolved to re-appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the Company's external auditors for 2014 to be responsible for the provision of related audit services and review services in accordance with the PRC Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively.

Are there any changes in the accounting firms appointed: No

Name of the PRC accounting firm, signing auditors and duration of service: Deloitte Touche Tohmatsu Certified Public Accountants LLP, Lv Jing and Ma Qiang (2011: Wang Pengcheng, Zheng Wei, 2012: Gu Jun and Fu Shanshan, 2013: Gu Jun and Ma Qiang), 4 years; Name of the international accounting firm and duration of service: Deloitte Touche Tohmatsu, 2 year.

Remuneration for the accounting firm: According to the resolution at the annual general meeting in 2014, in 2014, the Company paid RMB3.30 million as external audit fees, of which RMB0.8 million was for reviewing the Company's Interim Report of H Shares, and RMB2.50 million was for the annual auditing and statutory audit fees in respect of H Shares. In 2014, the Company paid RMB6.87 million to Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the annual audit fees and related services fees concerning auditing for the issuance of A Shares.

(v) Review by Audit Committee

The Audit Committee has reviewed the 2014 consolidated financial statements of the Company.

(vi) Company Secretary

Mr. Wu Chengming, the secretary to the Board, is responsible for making recommendations on issues related to the corporate governance to the Board, and ensuring the policies and procedures of the Board, applicable laws, rules and regulations are strictly followed.

In order to maintain good corporate governance and to ensure the compliance with the Listing Rules and applicable Hong Kong laws, the Company also appointed Ms. Yung Mei Yee, a senior manager of KCS Hong Kong Limited, as our joint company secretary, assisting Mr. Wu Chengming in the performance of his duties as the secretary to the Board. The main contact person of the Company is Mr. Wu Chengming, the executive Director and secretary to the Board.

According to Rule 3.29 of the Listing Rules, as of the End of the Reporting Period, Mr. Wu Chengming and Ms. Yung Mei Yee both received relevant professional training of no less than 15 hours.



SECTION X CORPORATE GOVERNANCE REPORT

(vii) Communication with Shareholders

The general meeting is the supreme authority of the Company. The shareholders exercise their rights through the general meeting. The Company formulated corresponding system to ensure the compliance of convening and holding general meeting. The Company clearly specified all rights of shareholders in the Articles of Association to ensure the right to information of shareholders, especially small and medium shareholders, and equality among all shareholders.

The Company highly respects the opinions and suggestions of shareholders and has assigned dedicated persons to conduct various types of investor relations activities and communicate with shareholders in order to meet their reasonable requirements. Meanwhile, through the “Investor Relations” section on the website at www.chinastock.com.cn, the Company publishes announcements, financial data and other information of the Company to serve as a channel promoting effective communication with shareholders. Shareholders can also make enquiries by phone, by email or write directly to the office address of the Company, which will be dealt with appropriately in a timely manner. Please refer “I. Company Profile” in Section III of this report for the contact details.

The Company welcomes all shareholders to attend general meetings and provides convenience to shareholders who are attending if allowable. The Company’s Directors, Supervisors and senior management officers will attend general meetings. In accordance with Rule E.1.2 of the Corporate Governance Code, the chairman of the Board, the Audit Committee, the Nomination and Remuneration Committee and the chairman of other special committees under the Board of Directors shall attend general meetings to answer questions raised at general meetings and the Company’s management shall ensure that the externally hired auditor will attend general meetings to answer the relevant questions raised by shareholders.

Shareholders may convene an extraordinary general meeting or a class meeting pursuant to Article 71 and Article 76 of the Articles of Association and put forward proposals. The shareholders may attend and vote in general meetings in person and by proxy. The minutes, the signature book of attending shareholders and the written proxy forms shall be maintained at the Company. The copies of the minutes are available to all shareholders during business hours for free. The Articles of Association are set out on the website of the Company and the HKExnews website of the Hong Kong Stock Exchange.

The Company shall arrange the Board to answer questions raised by shareholders during the 2014 annual general meeting.

(viii) Investor Relations

The Company greatly values the management of investor relationships, and has established effective communication channels with investors. During the Reporting Period, the Company maintained communication with nearly 1,000 investors mainly through non-deal roadshows, results announcement conferences, calls, emails, visits and investor summit etc., to ensure that our shareholders can fully exercise their own rights and safeguard their legitimate interests. During the Reporting Period, the Company has mainly organized non-deal road shows, and also visited investors in the USA, UK, France, Singapore, Hong Kong and other countries, which effectively increased investors’ knowledge about the Company and further enhanced their awareness and recognition of the Company. During the Reporting Period, the Company disclosed information truly, accurately, completely and timely according to the laws, regulations and regulatory requirements to ensure that investors would know of the important matters of the Company in a timely manner, protecting the investors’ interests to the greatest extent.



SECTION X CORPORATE GOVERNANCE REPORT

(ix) Board Member Diversity Policy

The Company has adopted the Board Member Diversity Policy pursuant to Rule A.5.6 of the CG Code. The Board Member Diversity Policy adopted by the Company is summarized as follows: the Company understands and believes that board diversity is beneficial to the Company and treats such policy as one important factor for maintaining its competitiveness. The Company has taken various factors into consideration when forming the Board, including but not limited to gender, age, culture and education background, professional experience, skill, knowledge, service term and etc. The Company appoints the members of the Board based on their quality and emphasizes on competency, skills and experience required by the overall operation of the Board to ensure the balance of the Board.

The Nomination and Compensation Committee of the Board will review and estimate the composition of the Board, and make suggestions to the Board on the appointment of new Directors. The Nomination and Compensation Committee of the Board will discuss measurable objectives for Board diversity and make suggestions to the Board annually.

(x) Amendments to the Articles of Association

During the Reporting Period, the Articles of Association was amended once: at the first extraordinary general meeting in 2014 convened on 25 April 2014, the resolution on amending the Articles of Association was reviewed and passed, making amendments to Article 12, Article 13, Article 244 and Article 245. These amendments mainly related to the adjustment of business scope (Article 13), amendment to the profit distribution plan (Article 244 and Article 245) and in-principle preparation for the future participation in preference shares issuance on a pilot basis (Article 12). As for the amendments to important clauses in the Articles such as Article 13, Article 244 and Article 245, the Company submitted the “Request for Amendment of Important Clauses in the Articles of Association” and the “Report on the Amendment of the Articles of Association” to CSRC Beijing Bureau on 19 May 2014. On 27 June 2014, the Company received the “Reply of Approving the Amendment of Important Clauses in the Articles of Association of China Galaxy Securities Co., Ltd.” ([2014] No. 126) from CSRC Beijing Bureau, which approved the amendment to Article 13, Article 244 and Article 245 of the Articles of Association which would take effect on the completion date of the issuance of A Shares.

(xi) Internal Control

1. Development of Internal Control System

The Company is continually committed to the development of internal regulations and an administration system since its establishment. Upon the promulgation of Basic Norms of Internal Control for Enterprises and the Guidelines for the Internal Control of Securities Companies, the Company has enhanced internal control in compliance with the relevant requirements and has taken the development of internal control throughout the operational development of the Company.

As at the End of the Reporting Period, the Company has set up an internal control system suitable for its business nature, scale and complexity, and has achieved great results on ensuring the legality of operations, the safety of assets and the authenticity and completeness of financial reports and relevant information and improving operating efficiency and effectiveness.

During the Reporting Period, the Company has established an internal monitoring system of important information and procedures and internal monitoring measures on processing and releasing price-sensitive information. The Company has established and improved the systems such as information fire wall and the administrative system for registration of persons with inside information to protect the misuse and dissemination of sensitive information in accordance with regulatory requirements. In addition, the Company has also observed the requirements of laws, regulations, the Listing Rules, the Articles of Association and the Administrative Measures for the Disclosure of Information of Listed Companies to truthfully, accurately, completely and timely disclose information, ensuring that all investors have equal opportunities to access relevant information of the Company in a timely manner.



SECTION X CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Company formulated the “Implementation Rules of Managing New Branches (Light, satellite branches)” for the newly established light and satellite branches. It also established relevant systems and implementation rules for the market making business of the national share transfer system of small and medium enterprises, custody business of securities investment fund, HK Stock Connect business and OTC market income receipt business under the innovation of securities brokers, in order to ensure that internal control can cover the new sectors in which the Company is involved in a timely manner.

2. Internal Control Evaluation

Establishing and effectively implementing and improving the internal control system is the duty of the Board and the management. The objectives of internal control are: guaranteeing the legality of operations of the Company and the execution of internal regulatory system; protecting against operational risks and moral risks; securing the safety and completeness of the assets of our Company and our customers; ensuring the reliability, completeness and timeliness of the business records, financial information and other information of the Company; and improving the Company’s operational efficiency and effectiveness.

As internal control has its inherent restrictions, we can only reasonably guarantee that such objectives can be achieved. Furthermore, the effectiveness of internal control depends on our internal and external environment and operations. The Company has set up an inspection and supervision mechanism through which the Company can take measures to recover defects in the internal control once identified.

The Board of the Company has completed an evaluation on the internal controls of the Group according to the requirement of the “Basic Norms of Internal Control for Enterprises”. According to the Company’s conclusion on material defect in the internal control over financial reporting, as at the reference date of internal control assessment (31 December 2014), there was no material defect in the Group’s internal control over the financial reporting. The Board considered that the Group has maintained effective internal control over financial reporting in all material aspects in accordance with the requirements of the Basic Norms of Internal Control for Enterprises and the relevant rules. According to the Company’s conclusion on material defect in the internal control over non-financial reporting, as at the reference date of internal control assessment, there was no material defect in the Group’s internal control over non-financial reporting.

Deloitte Touche Tohmatsu Certified Public Accountants LLP was engaged by the Company to audit the effectiveness of internal control over financial reporting of the Company as of 31 December 2014 in accordance with the “Guidelines for Audit of Enterprise Internal Control” and relevant requirements of the “Code of Practice for Certified Public Accountants of China”. It issued the “Internal Control Audit Report” and concluded that “the Company has maintained effective internal control over financial reporting in all material aspects in accordance with the requirements of the “Basic Norms of Internal Control for Enterprises” and the relevant rules.

The Board will further improve the environment and structure of internal control to enable it to provide a basis to the overall decision for the Company. With the strengthening of state laws and regulations and the continuous development of the Company’s business, we will further improve and perfect the internal control system and mechanism to promote the development of corporate governance.



SECTION X CORPORATE GOVERNANCE REPORT

3. Other Matters

(1) *Development of the Compliance Management System*

During the Reporting Period, the development of the compliance management system is as follows:

① Improve the compliance management organizational structure to provide organizational guarantee

The Company has established a seven-level compliance management organizational structure which comprises the Board of Directors, the Supervisory Committee, the operational management, the chief compliance officer, the legal and compliance department, the regional compliance officer, and the compliance manager (compliance contact). With such a distinct and well-coordinated structure, the Company can effectively prevent compliance risks and promote compliance operation.

The legal and compliance department, under the leadership of the chief compliance officer, specifically carries out the compliance management work and is responsible for organizing and implementing the compliance management work, and performs functions such as regulation of administrative measures, compliance training, compliance review, compliance supervision, compliance inspection, compliance enquiry, anti-money laundering, information isolation management, legal support and services, etc. The legal and compliance department is divided into five sectors based on the business lines: brokerage business compliance management, investment banking business compliance management, investment business compliance management, investment research business compliance management and central control room and legal affairs, including:

The brokerage business (including margin financing and securities lending, Futures IB Business and fund custody and sub-contracting business) compliance management sector is in charge of the compliance management of the brokerage business, the margin financing and securities lending business, the Futures IB Business and fund custody and sub-contracting business, and performs functions such as system management, compliance review, compliance supervision and inspection, compliance training and compliance enquiry, etc. of such businesses.

The investment banking business compliance management sector is in charge of the compliance management of the investment banking business (equity financing and debt financing), and performs functions such as system management, compliance review, compliance supervision and inspection, compliance training and compliance enquiry, etc. of the investment banking business.



SECTION X CORPORATE GOVERNANCE REPORT

The investment business compliance management sector is in charge of the compliance management of proprietary investment business (equity investment, bond investment and derivatives) and the asset management subsidiaries, and performs functions such as system management, compliance review, compliance supervision and inspection, compliance training and compliance enquiry and etc. of the investment business.

The investment research compliance management and the central control room sector is in charge of the compliance management of the investment research business, investment advisory business and agency sales of financial products; leads, organizes and carries out anti-money laundering work; and the central control of information fire wall, and performs functions such as collecting, processing, monitoring, inspecting and cross-wall examining sensitive information, etc.

The legal affairs sector is in charge of contracts management, legal representative authorization and litigation and arbitration management and provides legal support to the Company and subsidiaries.

In order to strengthen the compliance management toward branches, the Company has assigned 22 compliance officers in 21 regions and 330 full-time and part-time compliance managers and compliance associates in 330 branches, which enables compliance management to extend to the front line of the business.

- ② Comprehensively and deeply participate in compliance discussion of innovative businesses to secure the regulated operation of business

In 2014, the CSRC further promoted regulatory transformation to support and encourage innovative development of securities companies. To achieve both innovative development and compliant operations of the Company, the legal and compliance department assisted the chief compliance officer in strengthening the discussion on compliance of innovative businesses, promoted the establishment of a sound internal control mechanism and management system for business departments and provided comprehensive compliance service and support for the regulated operation of innovative businesses of the Company.

- ③ Strengthen anti-money laundering work and the construction of information fire wall to prevent relevant risks

In 2014, the Company amended the “Anti-Money Laundering and Anti-Terrorism Financing Management System” and the “Measures for the Administration of Risk Assessment of Money Laundering and Terrorism Financing and Risk Classification of Money Laundering by Clients”. It completed the construction of a new anti-money laundering management system of the Company and launched such system officially so as to implement the risk classification management of money laundering by clients. The Company continued to strengthen the promotion, training and inspection of anti-money laundering.

In 2014, with reference to regulatory policy changes together with typical cases, the Company strengthened and improved the management of information fire wall and conflicts of interest under the innovative developments. It further refined the procedures of identification and management of conflicts of interest.



SECTION X CORPORATE GOVERNANCE REPORT

(2) *Inspection completed by the compliance department*

During the Reporting Period, according to requirements of the regulatory authorities, the material risk events in the market and the major risk issues reflected in the company management, the Company mainly conducted compliance inspections, including: the half-yearly and annual compliance inspection of the basic management of all branches and key businesses, inspection of new branches, compliance inspection of the suitability for the sale of financial products, compliance inspection of small amount dealer-quoted securities repurchase business and compliance inspection of the securities investment business.

(3) *Inspection and audit completed by the audit department*

During the Reporting Period, the internal audit department of the Company continued to adhere to the risk-oriented, internal control-focused and value adding-targeted mission, and mainly audited the high-risk businesses concerned by the Company's headquarters, domestic subsidiaries, securities branches and regulatory authorities. During the Reporting Period, the audit department of the Company organized and completed a total of 106 audit projects, including a self-evaluation on the annual internal control of the Company's headquarters, an assessment on the annual compliance effectiveness and 10 projects concerning the audit of internal control and economic responsibility of the investment banking headquarter, asset management department, the research department, margin financing and securities lending business, our own funds, human resources department, connected transactions, etc.; and the internal control audit of 64 securities branches and economic responsibility audit of persons-in-charge of 32 securities branches.

(4) *Risk control indicator monitoring and top-up mechanism setup*

The Company has a sound organizational system for risk control indicator management. The planning and finance department is responsible for the management of the Company's risk control indicator; the risk management department is in charge of the supervision of the Company's risk control indicator management and its stress tests; and the audit department conducts an internal audit and inspection of the internal risk control indicator management. In 2014, the Company continued to develop and improve the net capital monitoring supporting system so as to ensure a stable and well-running dynamic monitoring system of net capital, and to realize real-time and dynamic monitoring and pre-warning of the Company's net capital risk control indicators. Since March, the Company has calculated and reported the liquidity coverage rate (LCR) of liquidity risk monitoring indicators and net stable fund rate (NSFR) on a monthly basis according to regulatory requirements. In order to prevent any shock and impact on liquidity risk indicators at the end of period from factors such as large amount debts due of the Company, IPO and substantial increase in the scale of the margin financing and securities lending business, the Company has promptly adopted effective measures such as short-term borrowings and issue of long-term bond through predicting liquidity risk indicators at the end of the period, so as to prevent the possible risk of exceeding the limit of liquidity risk indicators. With reference to the advanced experience in the industry, the Company has prepared a daily report on liquidity risk of the Company. Besides, through the sensitivity analysis and the stress test mechanism, and based on the needs of market and business development, the Company has regularly and irregularly conducted stress tests and sensitivity analysis, analyzed the effect of possible states in the future on the Company's net capital risk control indicators, and worked out corresponding countermeasures. Net capital risk control indicator monitoring in 2014 showed that the Company's various risk control indicators continued to conform with regulatory provisions.



SECTION X CORPORATE GOVERNANCE REPORT

The Company established a dynamic top-up mechanism and made long-term top-up plans for net capital. In order to respond to the rapid development of capital-based intermediary business such as margin financing and securities lending, the Company raised short-term capital to increase its liquidity coverage by way of short-term financing bonds and the transfer of margin financing and securities lending income rights, etc. It replenished the available stable fund to increase the net stable fund rate through the issuance of long-term subordinated bonds. Meanwhile, long-term subordinated bonds were included in net capital at a certain ratio according to regulatory requirements. As at the End of the Reporting Period, the Company replenished net capital of RMB3.1 billion through long-term subordinated bonds. In December 2014, the Company formulated the “Three-year Capital Planning of the Company” to maintain its capital scale to be in line with its market position. The Company adhered to prudent financial principles, managing its balance sheets according to the logical thinking that the needs of business development determines the size of assets, the size of assets is a driving force of financing and an increase in financing enhances the operating leverage rate so as to ensure a dynamic balance between the business development and risk resistance capability of the Company. Given the needs of further business development of the Company and according to its strategic planning, the Company is actively seeking to issue additional of shares and to list A Shares in order to further enhance its net capital strength.

(5) Account regulation

During the Reporting Period, the Company further finalized the long-term mechanism of account regulation management, strictly complied with the rules and regulations formulated by the Company such as the “Implementation Rules for Customers’ Account Management”, the “Implementation Rules for Customers’ Information Management” and the “Operating Procedures for Counter Brokerage Business”, and realized centralized verification of account information and centralized management of images so as to ensure new accounts conformed to the standards of qualified accounts; and completed procedures for re-activating dormant accounts and regulating unqualified accounts in strict accordance with the operating procedures so as to ensure that account regulation could be conducted in an orderly way.

During the Reporting Period, the business departments had no risk disposition account, and the Company’s original unqualified accounts and petty dormant accounts were regulated and re-activated orderly. In particular, the Company regulated 16 unqualified fund accounts, and recorded 1,867 unqualified fund accounts at the end of the Reporting Period; re-activated 16,315 petty dormant fund accounts, increased 0 petty dormant accounts annually and logged 2,075,226 petty dormant fund accounts at the end of the Reporting Period (including: 536,735 pure fund accounts under management with reference to standards for dormant account management). Apart from that, the Company scored 88 fund accounts judicially frozen at the end of the Reporting Period, decreasing by 2 accounts.

Item	At the end of 2013 (RMB Accounts)	At the end of 2014 (RMB Accounts)	Change
Dormant fund accounts	2,091,541 (including pure fund accounts: 536,735)	2,075,266 (including pure fund accounts: 536,735)	Re-activated 16,315. No increase in dormant accounts as CSDC did not conduct securities account freezing in 2014.
Unqualified fund accounts	1,883	1,867	Decreased by 16
Judicially-frozen fund accounts	90	88	Decreased by 2
Risk disposition accounts	0	0	–



SECTION XI INDEPENDENT AUDITOR'S REPORT

(Amounts in thousands of Renminbi, unless otherwise stated)

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF CHINA GALAXY SECURITIES CO., LTD.

(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Galaxy Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 148 to 274, which comprise the consolidated and Company's statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by International Accounting Standards Board 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing issued by International Auditing and Assurance Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

27 March 2015



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2014	2013
Revenue			
Commission and fee income	5	7,134,992	5,039,498
Interest income	6	4,181,986	2,666,446
Net investment gains	7	1,652,665	697,427
Total revenue		12,969,643	8,403,371
Other income and gains	8	46,917	22,858
Total revenue and other income		13,016,560	8,426,229
Depreciation and amortization	9	(187,240)	(218,793)
Staff costs	10	(4,191,285)	(2,490,499)
Commission and fee expenses	11	(201,098)	(171,219)
Interest expenses	12	(1,377,234)	(684,627)
Other operating expenses	13	(2,016,130)	(1,775,573)
Impairment losses	14	(40,619)	(192,166)
Total expenses		(8,013,606)	(5,532,877)
Share of result of an associate		345	(334)
Profit before income tax		5,003,299	2,893,018
Income tax expense	15	(1,212,915)	(738,087)
Profit for the year		3,790,384	2,154,931
Attributable to:			
Owners of the Company		3,770,728	2,135,247
Non-controlling interests		19,656	19,684
		3,790,384	2,154,931
Earnings per share attributable to owners of the Company (in RMB Yuan)			
– Basic	16	0.50	0.31
– Diluted	16	N/A	0.31



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2014	2013
Profit for the year	3,790,384	2,154,931
Other comprehensive income/(expense)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Available-for-sale financial assets		
Net fair value changes during the year	1,001,372	(285,042)
Reclassification adjustment to profit or loss on disposal	(224,054)	(147,489)
Reclassification adjustment to profit or loss on impairment	14,238	21,911
Income tax impact	(197,889)	102,655
Subtotal	593,667	(307,965)
Share of other comprehensive income of an associate	(190)	190
Exchange differences arising on translation	(1,026)	(14,028)
Net other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods	592,451	(321,803)
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Remeasurement of defined benefit obligation	(46,900)	20,292
Net other comprehensive (expense)/income that will not be reclassified to profit or loss in subsequent periods	(46,900)	20,292
Other comprehensive income/(expense) for the year, net of income tax	545,551	(301,511)
Total comprehensive income for the year	4,335,935	1,853,420
Attributable to:		
Owners of the Company	4,316,279	1,833,736
Non-controlling interests	19,656	19,684
	4,335,935	1,853,420



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
		2014	2013
Non-current assets			
Property and equipment	18	379,572	393,674
Goodwill	19	223,278	223,278
Other intangible assets	20	355,161	349,251
Investment in an associate	22	20,011	19,856
Available-for-sale financial assets	24	511,862	495,050
Financial assets held under resale agreements	31	89,652	196,445
Loan investment	25	250,000	–
Deferred tax assets	26	347,650	308,204
Total non-current assets		2,177,186	1,985,758
Current assets			
Advances to customers	27	61,442,657	18,392,778
Accounts receivable	28	458,257	300,915
Other receivables and prepayments	29	1,116,671	861,977
Loan investment	25	–	90,000
Available-for-sale financial assets	24	11,071,673	9,295,082
Financial assets held under resale agreements	31	7,315,173	1,087,393
Financial assets held for trading	32	5,961,256	5,027,321
Financial assets designated as at fair value through profit or loss	33	1,360,847	942,506
Derivative financial assets	34	–	2,281
Deposits with exchanges and a non-bank financial institution	35	6,050,015	2,840,742
Clearing settlement funds	36	31,260,370	4,373,917
Bank balances	37	51,811,602	33,083,698
Total current assets		177,848,521	76,298,610
Total assets		180,025,707	78,284,368
Current liabilities			
Bonds payable	39	20,700,000	4,000,000
Due to banks and a non-bank financial institution	40	1,812,123	592,687
Short-term financing instrument payables	41	5,417,910	–
Accounts payable to brokerage clients	42	78,407,509	36,451,282
Accrued staff costs	43	2,932,674	1,287,722
Other payables and accruals	44	1,901,186	1,616,371
Current tax liabilities		354,376	8,370
Derivative financial liabilities	34	24,084	7,883
Financial assets sold under repurchase agreements	45	30,164,925	8,898,387
Total current liabilities		141,714,787	52,862,702
Net current assets		36,133,734	23,435,908



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
		2014	2013
Non-current liabilities			
Bonds payable	39	6,200,000	–
Other payables and accruals	44	200,000	–
Financial assets sold under repurchase agreements	45	2,575,000	–
Total non-current liabilities		8,975,000	–
Net assets		29,335,920	25,421,666
Equity			
Share capital	46	7,537,259	7,537,259
Reserves	47	13,232,153	11,567,574
Retained profits		8,254,385	6,069,995
Equity attributable to owners of the Company		29,023,797	25,174,828
Non-controlling interests		312,123	246,838
Total equity		29,335,920	25,421,666

Approved and authorized for issue by the Board of Directors on 27 March 2015.

Chen Youan

DIRECTOR

Gu Weiguo

DIRECTOR



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
		2014	2013
Non-current assets			
Property and equipment	18	338,099	352,885
Goodwill	19	223,278	223,278
Other intangible assets	20	337,838	336,382
Investments in subsidiaries	21	3,185,480	2,367,160
Investment in an associate	22	20,011	19,856
Available-for-sale financial assets	24	233,724	200,100
Financial assets held under resale agreements	31	89,652	196,445
Deferred tax assets	26	330,972	290,306
Total non-current assets		4,759,054	3,986,412
Current assets			
Advances to customers	27	59,927,053	17,660,392
Accounts receivable	28	191,070	118,690
Other receivables and prepayments	29	973,049	788,287
Amounts due from subsidiaries	30	346,623	157,366
Available-for-sale financial assets	24	10,198,517	8,555,256
Financial assets held under resale agreements	31	7,313,673	1,087,393
Financial assets held for trading	32	5,714,036	4,991,274
Financial assets designated as at fair value through profit or loss	33	1,290,847	942,506
Derivative financial assets	34	–	2,281
Deposits with exchanges and a non-bank financial institution	35	1,356,868	143,864
Clearing settlement funds	36	30,943,147	4,042,598
Bank balances	37	41,746,106	27,113,867
Total current assets		160,000,989	65,603,774
Total assets		164,760,043	69,590,186
Current liabilities			
Bonds payable	39	20,700,000	4,000,000
Due to banks and a non-bank financial institution	40	1,000,000	290,000
Short-term financing instrument payables	41	5,417,910	–
Accounts payable to brokerage clients	42	66,093,265	29,193,684
Accrued staff costs	43	2,714,763	1,141,349
Other payables and accruals	44	858,779	1,019,809
Current tax liabilities		341,788	–
Derivative financial liabilities	34	24,081	7,883
Financial assets sold under repurchase agreements	45	30,039,565	8,898,387
Total current liabilities		127,190,151	44,551,112
Net current assets		32,810,838	21,052,662



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
		2014	2013
Non-current liabilities			
Bonds payable	39	6,200,000	–
Financial assets sold under repurchase agreements	45	2,575,000	–
Total non-current liabilities		8,775,000	–
Net assets		28,794,892	25,039,074
Equity			
Share capital	46	7,537,259	7,537,259
Reserves	47	13,152,593	11,507,591
Retained profits	47	8,105,040	5,994,224
Total equity		28,794,892	25,039,074

Approved and authorized for issue by the Board of Directors on 27 March 2015.

Chen Youan

DIRECTOR

Gu Weiguo

DIRECTOR



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

	Equity attributable to owners of the Company									
	Share capital	Reserves					Retained profits	Subtotal	Non-controlling interests	Total equity
		Capital reserve	Investment revaluation reserve	Translation reserve	General reserves	Other reserves				
Balance at 1 January 2013	6,000,000	-	(27,165)	(3,006)	6,313,248	-	5,146,782	17,429,859	128,989	17,558,848
Profit for the year	-	-	-	-	-	-	2,135,247	2,135,247	19,684	2,154,931
Other comprehensive (expense)/ income for the year	-	-	(307,775)	(14,028)	-	20,292	-	(301,511)	-	(301,511)
Total comprehensive (expense)/income for the year	-	-	(307,775)	(14,028)	-	20,292	2,135,247	1,833,736	19,684	1,853,420
Issuance of H shares (note 46)	1,537,259	4,960,998	-	-	-	-	-	6,498,257	-	6,498,257
Transaction costs of issuance of H shares	-	(162,580)	-	-	-	-	-	(162,580)	-	(162,580)
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	109,892	109,892
Appropriation to general reserves	-	-	-	-	787,590	-	(787,590)	-	-	-
Special Dividend	-	-	-	-	-	-	(424,444)	(424,444)	-	(424,444)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(11,727)	(11,727)
Balance at 31 December 2013	7,537,259	4,798,418	(334,940)	(17,034)	7,100,838	20,292	6,069,995	25,174,828	246,838	25,421,666
Profit for the year	-	-	-	-	-	-	3,770,728	3,770,728	19,656	3,790,384
Other comprehensive income/(expense) for the year	-	-	593,477	(1,026)	-	(46,900)	-	545,551	-	545,551
Total comprehensive income/(expense) for the year	-	-	593,477	(1,026)	-	(46,900)	3,770,728	4,316,279	19,656	4,335,935
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	60,000	60,000
Appropriation to general reserves	-	-	-	-	1,119,028	-	(1,119,028)	-	-	-
2013 final dividend	-	-	-	-	-	-	(467,310)	(467,310)	-	(467,310)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(14,371)	(14,371)
Balance at 31 December 2014	7,537,259	4,798,418	258,537	(18,060)	8,219,866	(26,608)	8,254,385	29,023,797	312,123	29,335,920



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2014	2013
OPERATING ACTIVITIES		
Profit before income tax	5,003,299	2,893,018
Adjustments for		
Interest expenses	1,377,234	684,627
Share of result of an associate	(345)	334
Depreciation and amortization	187,240	218,793
Impairment losses	40,619	192,166
Gain on disposal of property and equipment and other intangible assets	(583)	(467)
Foreign exchange (gains)/losses, net	(238)	78,915
Net realized gains from disposal of available-for-sale financial assets	(224,054)	(147,489)
Dividend income and interest income from available-for-sale financial assets	(520,482)	(375,399)
Interest income from loan investment	(38,736)	(773)
Operating cash flows before movements in working capital	5,823,954	3,543,725
Increase in advances to customers	(43,049,879)	(12,954,110)
Increase in accounts and other receivables and prepayments	(429,468)	(553,007)
Increase in financial assets held under resale agreements	(6,120,987)	(474,315)
Increase in financial assets at fair value through profit or loss	(1,349,995)	(519,050)
Decrease/(increase) in restricted bank deposits	16,000	(16,000)
Increase in deposits with exchanges and a non-bank financial institution	(3,209,273)	(226,419)
Increase in clearing settlement funds-clients	(26,127,518)	(7,014)
(Increase)/decrease in cash held on behalf of customers	(14,413,352)	3,407,832
Increase/(decrease) in accounts payable to brokerage clients, accrued staff costs and other payables and accruals	44,301,907	(2,497,404)
Increase in financial liabilities at fair value through profit or loss	16,201	7,883
Increase in financial assets sold under repurchase agreements	23,841,538	3,714,951
Increase/(decrease) in placements from a non-bank financial institution	710,000	(10,000)
Decrease in provisions	(17,971)	(764)
Cash used in operations	(20,008,843)	(6,583,692)
Income taxes paid	(1,075,922)	(542,909)
Interest paid	(821,181)	(509,023)
NET CASH USED IN OPERATING ACTIVITIES	(21,905,946)	(7,635,624)



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2014	2013
INVESTING ACTIVITIES			
Dividends and interest received from investments		529,791	323,790
Purchases of property and equipment and other intangible assets		(187,842)	(108,240)
Proceeds from disposal of property and equipment and other intangible assets		9,376	7,301
Capital injection to an associate		–	(20,000)
Purchase of available-for-sale financial assets		(10,555,093)	(11,039,060)
Proceeds from disposal of available-for-sale financial assets		9,753,062	7,467,362
Increase in loan investment		(250,000)	(90,000)
Decrease in loan investment		90,000	–
Placement of bank deposits with original maturity of more than three months		(1,170,000)	(1,670,485)
Maturity of bank deposits with original maturity of more than three months		1,389,890	250,000
NET CASH USED IN INVESTING ACTIVITIES		(390,816)	(4,879,332)
FINANCING ACTIVITIES			
Proceeds from issuance of H shares		–	6,498,257
Dividends paid	17	(891,755)	–
Dividends paid to non-controlling shareholders		(26,098)	–
Capital injection from non-controlling shareholders		60,000	109,892
Proceeds from short-term notes and bonds issued		27,410,000	11,700,000
Proceeds from borrowings and short-term financing instrument payables		8,932,803	283,829
Repayment of borrowings and short-term financing instrument payables		(3,005,457)	–
Repayment of short-term notes and bonds		(4,510,000)	(7,700,000)
Interest paid in respect of borrowings and short-term financing instrument payables		(22,294)	(1,790)
Interest paid in respect of short-term notes and bonds		(253,809)	(84,255)
Transaction costs paid on issue of H shares		(88,420)	(7,451)
Transaction costs paid on issue of short-term notes and bonds		(201)	(3,099)
NET CASH FROM FINANCING ACTIVITIES		27,604,769	10,795,383
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,308,007	(1,719,573)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		2,194,510	3,921,043
Effect of foreign exchange rate changes		1,370	(6,960)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	38	7,503,887	2,194,510
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		4,145,007	2,584,207
Total interest paid		(1,097,484)	(595,068)



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(Amounts in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

Pursuant to the approval from the China Securities Regulatory Commission (the “CSRC”), China Galaxy Securities Co., Ltd. (the “Company”) was established in Beijing, the People’s Republic of China (the “PRC”) on 26 January 2007 with a registered capital of RMB6 billion. In May 2013, the Company issued overseas listed foreign shares (“H shares”) which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). Upon completion of the H share offering, the issued capital of the Company was increased to RMB7,537 million.

The registered office of the Company is located at 2-6F, Tower C, Corporate Square, 35 Finance Street, Xicheng District, Beijing, the PRC.

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in securities brokerage, securities investment advisory, financial advisory relating to securities trading and securities investment activities, security underwriting and sponsorship, proprietary trading, asset management, margin financing and securities lending, securities investment fund distribution, agency sale of financial products, project and investment management, equity investment management, industrial investment, commodity futures brokerage, financial futures brokerage, futures investment advisory, wealth management, insurance brokerage and money lending business.

The Company’s immediate holding company is China Galaxy Financial Holdings Company Limited (中國銀河金融控股有限責任公司) (“Galaxy Financial Holdings”).

These consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company, and all values are rounded to the nearest thousand unless otherwise stated.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements

The Group has applied for the first time in the current year the following amendments to IFRSs and a new interpretation.

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

2.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements (Continued)

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities (Continued)

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

Amendments to IAS 27-Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost,
- In accordance with IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted IFRS 9), or
- Using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to IAS 27, there are consequential amendments to IAS 28 to avoid a potential conflict with IFRS 10 Consolidated Financial Statements and to IFRS 1 First-time Adoption of International Financial Reporting Standards.

The Group early adopted these amendments to the Company's separate financial statement for the current year.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

2.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements (Continued)

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realisation and settlement’.

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

IFRIC 21 – Levies

IFRIC 21 Levies addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The adoption of the above amendments to IFRSs and the new interpretation has had no material impact on the disclosures or on the amounts recognized in the Group’s consolidated financial statements.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

2.2 New and revised IFRSs issued but not yet effective

The Group has not applied the following new or revised IFRSs that have been issued but are not yet effective, in these consolidated financial statements.

IFRS 9	Financial Instruments ¹
IFRS 14	Regulatory Deferral Accounts ²
IFRS 15	Revenue from Contracts with Customers ³
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to IAS 1	Disclosure Initiative ⁵
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants ⁵
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions ⁴
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception ⁵
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle ⁶
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle ⁴
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle ⁵

1. Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2. Effective for first annual IFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

3. Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

4. Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

5. Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

6. Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

Further information about those IFRSs that are expected to be relevant to the Group is as follows:

IFRS 9 – Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

2.2 New and revised IFRSs issued but not yet effective (Continued)

IFRS 9-Financial Instruments (Continued)

Key requirements of IFRS 9 are described below:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

2.2 New and revised IFRSs issued but not yet effective (Continued)

IFRS 15 – Revenue from Contracts with Customers

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Group anticipates that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) when the intangible asset is expressed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

2.2 New and revised IFRSs issued but not yet effective (Continued)

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to IFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into IFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.
- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

2.2 New and revised IFRSs issued but not yet effective (Continued)

Amendments to IFRS 10, IFRS 12 and IAS 28-Investment Entities: Applying the Consolidation Exception

The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. They also clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity has to be consolidated; other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 allow the non-investment entity investor that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

The amendments to IFRS 12 require an investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 9 to present the disclosures in respect of investment entities required by IFRS 12.

Annual Improvements to IFRS 2010-2012 Cycle, 2011-2013 Cycle and 2012-2014 Cycle

The Annual Improvements 2010-2012 Cycle, 2011-2013 Cycle and 2012-2014 Cycle sets out amendments to a number of IFRSs.

None of the above new and revised IFRSs are expected to have a material impact on the financial position or performance of the Group but may require additional disclosures except IFRS 9 and IFRS 15. The directors are in the process of making an assessment of the impact of IFRS 9 and IFRS 15.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs which comprise all standards and interpretations approved by the International Accounting Standards Board (“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 and by the Hong Kong Companies Ordinance, which for the current year, continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap.622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 of the Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

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 leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 Impairment of Assets.

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.

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 Company reassesses whether or not it controls an investee if facts and circumstances indicate that these are changes to one or more of the three elements of control listed above.

When the Company 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 Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company 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 and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component 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.

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 interests 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 and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized 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 and any non-controlling interests. All amounts previously recognized 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 IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses, if any.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the Group's and the Company's statements of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

A cash-generating unit 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 to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognized 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 profit or loss on disposal.

Investments in associates

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 over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, 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 recognized 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 recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. 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 recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale is accounted for using the equity method.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

Upon disposal or partial disposal of the Group's interest in an associate in which the Group lost significant influence and discontinued the use of equity method, any retained interest that is within the scope of IAS 39 is measured at fair value on that date, the difference between the carrying amount of the associate at the date, and the proceeds from disposing of such interest (or partial interest) in the associate and the fair value of the retained interest is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate 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) when the Group lost significant influence over the investee.

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 of the previously held interest or the retained interest to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate 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 recognized 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 of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Revenue is recognized when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

- (i) Commission income for broking business is recorded as income on a trade date basis, and service fees arising from broking business are recognized when services are rendered;
- (ii) Underwriting and sponsors fees are recognized as income in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed;
- (iii) Interest income from a financial asset is accrued on a time basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition;
- (iv) Consultancy and advisory fee income is recognized when the relevant transactions have been arranged or the relevant services have been rendered;
- (v) Asset management fee income is recognized when management services are provided; and
- (vi) Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance lease or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as finance lease and accounted for as property and equipment, where applicable, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) 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 recognized in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

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 at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the translation reserve.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Employee benefits

In the reporting period in which an employee has rendered services, the Group recognizes the employee benefits expenses for those services in profit or loss.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the Government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognized 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.

Annuity scheme

The Group also sets up annuity scheme for qualified employees. Annuity contributions are accrued based on a certain percentage of the participants' total salary when employees have rendered service entitling them to the contributions. The contribution is recognized in profit or loss.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Supplementary retirement benefits

The Group provides supplementary retirement benefits to qualified employees in Mainland China who retired on or before 31 December 2014. Supplementary retirement benefits include supplementary pension payments and medical expense coverage.

The liability related to the above supplementary benefit obligations existing at the end of each reporting period, is calculated by independent actuaries using the Projected Unit Credit Method and is recorded as a liability in the Group's and Company's statements of financial position. The liability is determined through discounting the amount of future benefits that the employees are entitled for their services in the current and prior periods. The discount rates are based on the yields of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

Early retirement benefits

The Group pays early retirement benefits to those employees who accept early retirement arrangements approved by management. Early retirement benefits are paid to those employees who voluntarily retire before the normal retirement date. The related benefit payments are made from the date of early retirement through the normal retirement date. The Group records a liability for the present value of its early retirement obligation when employees retire early. Any change in the present value of the early retirement obligation is charged or credited to the profit or loss immediately as it occurs.

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 it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 each reporting period.

Deferred tax is recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that there will be sufficient taxable profits against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and an associate, 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 are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize 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 asset to be recovered.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 realized, 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 liabilities and assets 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. Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity respectively.

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.

Property and equipment

Property and equipment including leasehold land (classified as finance lease) and building held for use in the supply of service, or for administrative purpose, are stated in the Group's and the Company's statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property and equipment, less their residual values over their estimated useful lives, using straight-line method.

An item of property and equipment is derecognized 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 recognized in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

Classes	Estimated residual value rates	Useful lives
Leasehold land and buildings	5%	20-40 years
Electronic and communication equipment	0-4%	3-5 years
Motor vehicles	4-5%	4-10 years
Office equipment	nil	5 years
Leasehold improvements	nil	Over the lease term ranging from 23 months to 5 years



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

The estimated useful lives of each class of intangible assets are as follows:

Computer software	3 years
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Trading rights which have no legal period of expiry and are expected to generate net cash inflows indefinitely are regarded by the Group as having an indefinite useful life.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Impairment losses on tangible and intangible assets as well as investments in subsidiaries and an associate other than goodwill and financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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 asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired.

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 for which the estimates of future cash flows have not been adjusted.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible and intangible assets as well as investments in subsidiaries and an associate other than goodwill and financial assets (Continued)

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 a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 recognized for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Provision

Provisions are recognized when the Group has a present obligation as a result of a past event, and 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.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of each 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 (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognized in the Group's and the Company's statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets can be classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, available-for-sale financial assets and held-to-maturity investments. The Group's financial assets are classified into one of the three categories, including FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at FVTPL have two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes dividends and interest earned on financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables including advances to customers, accounts receivable, other receivables, loan investment, amounts due from subsidiaries, financial assets held under resale agreements, deposits with exchanges and a non-bank financial institution, clearing settlement funds, bank balances, are subsequently carried at amortized cost using the effective interest method, less any identified impairment losses.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognized in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

For available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest and principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as advances to customers, accounts receivable and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of advances to customers, accounts receivable and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When an advance to customer, an account receivable or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income and accumulated in the investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognized directly in profit or loss for the period in which they arise. The net gain or loss recognized in profit or loss excludes interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including bonds payable, due to banks and a non-bank financial institution, short-term financing instrument payables, accounts payable to brokerage clients, other payables and financial assets sold under repurchase agreements are subsequently measured at amortized cost, using the effective interest method.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received from external parties, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or liability, or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability on initial recognition.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in profit or loss.

Financial assets sold under repurchase agreements and financial assets held under resale agreements

Financial assets sold subject to repurchase agreements, which do not result in derecognition of the financial assets, are continued to be recorded as “financial assets held for trading” or “available-for-sale financial assets” as appropriate. The corresponding liability is included in “financial assets sold under repurchase agreements”. Consideration paid for financial assets held under agreements to resell are recorded as “financial assets held under resale agreements”. Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortized cost using the effective interest method.

Securities lending

The Group lends securities to clients and the cash collateral balances required under the securities lending agreements and the interests arisen from these are included in “accounts payable to brokerage clients”. For those securities held by the Group that were lent to clients, they are not derecognized and are continued to be recorded as “available-for-sale financial assets” or “financial assets designated as at fair value through profit or loss” as appropriate.



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(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire, or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

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 Significant Accounting Policies, the directors of the Company are required to make judgments, estimates 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 ongoing basis. Revisions to accounting estimates are recognized 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.

Fair value of available-for-sale equity investments with restriction on disposal

For available-for-sale equity investments which are subject to legally enforceable restriction that prevents the holders from disposing them within the specified period, the fair value of these listed shares is determined with reference to the quoted market prices with an adjustment of discount to reflect the effect of the restriction. The estimation of fair value of these shares includes some assumptions not supported by observable data. Changes in assumptions could affect the fair value of the available-for-sale equity investments.

Impairment of available-for-sale financial assets

The determination of whether available-for-sale financial assets are impaired requires significant judgement. For listed available-for-sale equity investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair value of the asset has been below its original cost. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. The Group also takes into account other factors, such as the historical data on market volatility and the price of the specific investment, significant changes in technology, markets, economies or the law, as well as industry and sector performance and the financial information regarding the investee that provide evidence that the cost of the equity securities may not be recoverable. For available-for-sale debt instruments, the Group makes the judgments as to whether there is an objective evidence of impairment which indicates a measurable decrease in the estimated future cash flows of these debt instruments. This requires a significant level of management judgement which would affect the amount of impairment losses.



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4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment of advances to customers

The Group reviews its advances to customers to assess impairment on a periodic basis. In determining whether an impairment loss should be recognized in profit or loss, the Group reviews the value of the securities collateral received from the customers firstly on individual basis, then on collective basis in determining the impairment. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are disclosed in note 19.

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 realization of the 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 recognized 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 26.

Supplementary retirement benefits

The determination of retirement benefit obligations is based on various assumptions, including discount rate, mortality rate and expected rate of benefits increase. There may be difference between the actual amount and the estimated amount. Any difference arising from the actual result or changes in assumptions may affect the actuarial gains or losses recognized in other comprehensive income in the period during which such changes take place and the corresponding liability recognized in the Group's and the Company's statements of financial position. The assumptions that the Company used in measuring the supplementary retirement benefits are disclosed in note 43.



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(Amounts in thousands of Renminbi, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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 plans and private equity funds where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the collective asset management plans and private equity funds that is of such significance that it indicates that the Group is a principal. The collective asset management plans and private equity funds shall be consolidated if the Group acts in the role of principal.

5. COMMISSION AND FEE INCOME

	Year ended 31 December	
	2014	2013
Commission on securities dealing and broking and handling fee income	5,532,522	4,068,980
Underwriting and sponsors fees	974,444	333,184
Commission on futures and options contracts dealing and broking and handling fee income	324,925	372,505
Consultancy and financial advisory fee income	101,918	131,481
Asset management fee income	192,274	125,694
Others	8,909	7,654
	7,134,992	5,039,498

6. INTEREST INCOME

The following is the analysis excluding interest income from investments:

	Year ended 31 December	
	2014	2013
Deposits with exchanges and a non-bank financial institution and bank balances	1,614,933	1,453,509
Advances to customers and securities lending	2,497,834	1,102,006
Financial assets held under resale agreements	69,219	110,931
	4,181,986	2,666,446



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(Amounts in thousands of Renminbi, unless otherwise stated)

7. NET INVESTMENT GAINS

	Year ended 31 December	
	2014	2013
Net realized gains from disposal of available-for-sale financial assets	224,054	147,489
Dividend income and interest income from available-for-sale financial assets	520,482	375,399
Net realized losses from disposal of financial assets held for trading	(96,244)	(260,699)
Interest income from loan investment	38,736	773
Dividend income and interest income from financial assets held for trading	424,830	503,032
Net realized gains from disposal of financial assets designated as at fair value through profit or loss	161,445	42,638
Interest income from financial assets designated as at fair value through profit or loss	8,472	2,929
Net realized (losses)/gains from derivatives	(271,675)	15,681
Unrealized fair value change of financial instruments at fair value through profit or loss		
– financial assets held for trading	191,377	(100,272)
– financial assets designated as at fair value through profit or loss	509,311	(53,734)
– derivatives	(58,123)	24,191
	1,652,665	697,427

8. OTHER INCOME AND GAINS

	Year ended 31 December	
	2014	2013
Rental income	11,818	9,403
Government grants	16,790	5,722
Gain on disposal of property and equipment and other intangible assets	583	467
Others	17,726	7,266
	46,917	22,858

The government grants were received unconditionally by the Group from the local governments to support operations in the designated locations.



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9. DEPRECIATION AND AMORTIZATION

	Year ended 31 December	
	2014	2013
Depreciation for property and equipment	157,238	198,983
Amortization of other intangible assets	30,002	19,810
	187,240	218,793

10. STAFF COSTS

	Year ended 31 December	
	2014	2013
Salaries, bonus and allowances	3,484,984	1,878,057
Social welfare	377,059	359,274
Contributions to annuity schemes	81,342	49,882
Supplementary retirement benefits	7,643	7,718
Early retirement benefits	4,932	4,552
Others	235,325	191,016
	4,191,285	2,490,499

11. COMMISSION AND FEE EXPENSES

	Year ended 31 December	
	2014	2013
Securities and futures dealing and broking expenses	175,055	103,726
Underwriting and sponsors fee expenses	17,589	58,586
Other service expenses	8,454	8,907
	201,098	171,219



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12. INTEREST EXPENSES

	Year ended 31 December	
	2014	2013
Interest on liabilities that are wholly repayable within five years:		
– Accounts payable to brokerage clients	159,022	129,665
– Financial assets sold under repurchase agreements	757,393	292,901
– Due to banks and non-bank financial institutions	67,216	105,462
– Short-term financing instrument payables	33,265	–
– Short-term notes	–	77,707
– Bonds payable	360,338	78,892
	1,377,234	684,627

13. OTHER OPERATING EXPENSES

	Year ended 31 December	
	2014	2013
Auditors' remuneration	4,037	3,280
General and administrative expenses	496,918	486,743
Business tax and other taxes	589,555	392,060
Operating lease rentals in respect of rented premises	442,680	396,505
Data transmission expenses	157,302	148,623
Securities investor protection funds	62,564	34,220
Business travel expenses	88,982	81,681
Utilities expenses	47,126	50,139
Foreign exchange (gains)/losses, net	(238)	78,915
Litigation provision	–	(1,900)
Sundry expenses	127,204	105,307
	2,016,130	1,775,573

14. IMPAIRMENT LOSSES

	Year ended 31 December	
	2014	2013
Impairment loss in respect of accounts receivable	1,247	7,647
Impairment loss in respect of other receivables	15,134	15,108
Impairment loss in respect of available-for-sale financial assets	24,238	169,411
	40,619	192,166



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15. INCOME TAX EXPENSE

	Year ended 31 December	
	2014	2013
Current income tax		
PRC Enterprise Income Tax	1,444,074	765,760
Hong Kong Profits Tax	7,070	1,865
(Over)/under provision in prior years:		
PRC Enterprise Income Tax	(775)	1,626
Hong Kong Profits Tax	(119)	–
Subtotal	1,450,250	769,251
Deferred income tax (note 26)	(237,335)	(31,164)
	1,212,915	738,087

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate applicable to PRC enterprises is 25%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

	Year ended 31 December	
	2014	2013
Profit before income tax	5,003,299	2,893,018
Tax at the statutory tax rate of 25%	1,250,825	723,255
Expenses not deductible for tax purposes	36,519	78,178
Income not subject to tax	(61,679)	(102,061)
Unused tax losses	3,295	45,362
Effect of different tax rates of branches and subsidiaries	(2,907)	(3,929)
Utilization of tax losses previously not recognized	(12,244)	(4,344)
(Over)/under provision in prior years	(894)	1,626
Income tax expense for the year	1,212,915	738,087



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16. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted earnings per share attributable to owners of the Company is as follows:

	Year ended 31 December	
	2014	2013
Earnings for the purpose of basic earnings and diluted earnings per share:		
Profit for the year attributable to owners of the Company	3,770,728	2,135,247
Number of shares:		
Number of shares in issue (2013: weighted average number of shares in issue) (thousand)	7,537,259	6,941,168
Earnings per share:		
Basic earnings per share (in RMB)	0.50	0.31
Diluted earnings per share (in RMB)	N/A	0.31

The Group had no dilutive potential ordinary shares outstanding in 2014. The Group considered the over-allotment options issued by the Company in June 2013 in the calculation of diluted earnings per share for the year ended 31 December 2013 and the over-allotment options had no significant impact on the computation of diluted earnings per share. The weighted average number of ordinary shares in issue for 2013 was adjusted to reflect the effect of H shares issued in 2013.

17. DIVIDEND

Pursuant to the resolutions of the annual general meeting in 2013, the Company declared a cash dividend of RMB0.62 per 10 shares (inclusive of tax), or a total of RMB467.31 million, based on a total of 7,537,258,757 shares in issue as at 31 December 2013. The cash dividend was paid on 8 August 2014.

Pursuant to the resolution of the first extraordinary general meeting of 2013 held on 25 January 2013, the shareholders approved the proposal on dividend distribution before its proposed initial public offering in which a cash dividend in respect of the period from 1 January 2013 to the last day of the calendar month immediately prior to the completion of its initial public offering (the "Special Dividend Date") will be declared to shareholders on the Company's register of members as of the Special Dividend Date in an amount equal to the audited net profit of the Company for the period from 1 January 2013 to the Special Dividend Date, after the required appropriations to the statutory reserve, the reserve for general risk and the transaction risk reserve ("Distributable Profits").

The Company completed its initial public offering in May 2013 and determined that the Distributable Profits in respect of the period from 1 January 2013 to 30 April 2013 as RMB424.44 million. On 26 March 2014, the Board of Directors passed a resolution to approve the Special Dividend of RMB424.44 million, of which RMB379.45 million is payable to the immediate holding company, Galaxy Financial Holdings. The Special Dividend was paid on 22 May 2014.



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18. PROPERTY AND EQUIPMENT

Group

	Leasehold land and buildings	Electronic and communication equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
COST						
As at 1 January 2013	245,040	684,402	88,557	126,500	328,185	1,472,684
Additions	–	35,524	4,767	6,964	36,635	83,890
Disposals/written-off	–	(38,065)	(2,955)	(11,680)	(72,697)	(125,397)
As at 31 December 2013	245,040	681,861	90,369	121,784	292,123	1,431,177
ACCUMULATED DEPRECIATION						
As at 1 January 2013	87,576	563,299	66,000	70,951	169,258	957,084
Charge for the year	10,941	70,335	9,733	20,871	87,103	198,983
Disposals/written-off	–	(35,193)	(2,229)	(8,445)	(72,697)	(118,564)
As at 31 December 2013	98,517	598,441	73,504	83,377	183,664	1,037,503
CARRYING VALUES						
As at 31 December 2013	146,523	83,420	16,865	38,407	108,459	393,674
COST						
As at 1 January 2014	245,040	681,861	90,369	121,784	292,123	1,431,177
Additions	–	53,342	5,434	12,594	79,601	150,971
Disposals/written-off	–	(56,437)	(4,004)	(7,835)	(74,231)	(142,507)
As at 31 December 2014	245,040	678,766	91,799	126,543	297,493	1,439,641
ACCUMULATED DEPRECIATION						
As at 1 January 2014	98,517	598,441	73,504	83,377	183,664	1,037,503
Charge for the year	10,940	47,219	7,341	17,404	74,334	157,238
Disposals/written-off	–	(50,441)	(3,135)	(6,865)	(74,231)	(134,672)
As at 31 December 2014	109,457	595,219	77,710	93,916	183,767	1,060,069
CARRYING VALUES						
As at 31 December 2014	135,583	83,547	14,089	32,627	113,726	379,572



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18. PROPERTY AND EQUIPMENT (Continued)

Company

	Leasehold land and buildings	Electronic and communication equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
COST						
As at 1 January 2013	245,040	649,778	87,892	116,912	321,680	1,421,302
Additions	–	23,168	4,767	5,119	27,930	60,984
Disposals/written-off	–	(37,911)	(2,955)	(5,805)	(72,697)	(119,368)
As at 31 December 2013	245,040	635,035	89,704	116,226	276,913	1,362,918
ACCUMULATED DEPRECIATION						
As at 1 January 2013	87,576	552,651	65,529	68,793	165,941	940,490
Charge for the year	10,941	61,857	9,653	17,561	84,398	184,410
Disposals/written-off	–	(35,044)	(2,229)	(4,897)	(72,697)	(114,867)
As at 31 December 2013	98,517	579,464	72,953	81,457	177,642	1,010,033
CARRYING VALUES						
As at 31 December 2013	146,523	55,571	16,751	34,769	99,271	352,885
COST						
As at 1 January 2014	245,040	635,035	89,704	116,226	276,913	1,362,918
Additions	–	41,232	5,434	11,604	75,274	133,544
Disposals/written-off	–	(56,162)	(4,004)	(6,737)	(74,231)	(141,134)
As at 31 December 2014	245,040	620,105	91,134	121,093	277,956	1,355,328
ACCUMULATED DEPRECIATION						
As at 1 January 2014	98,517	579,464	72,953	81,457	177,642	1,010,033
Charge for the year	10,940	37,047	7,314	15,927	69,627	140,855
Disposals/written-off	–	(50,347)	(3,135)	(5,946)	(74,231)	(133,659)
As at 31 December 2014	109,457	566,164	77,132	91,438	173,038	1,017,229
CARRYING VALUES						
As at 31 December 2014	135,583	53,941	14,002	29,655	104,918	338,099

The carrying amounts of leasehold land and buildings located on land in the PRC with the following lease terms are:



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18. PROPERTY AND EQUIPMENT (Continued)

Group and Company

	As at 31 December	
	2014	2013
On long-term lease (over 50 years)	5,676	6,108
On medium-term lease (10-50 years)	129,907	140,415
	135,583	146,523

As at 31 December 2014, certain acquired buildings of the Group with a carrying value of RMB26.59 million (2013: RMB28.79 million) were in the process of title registration. The directors of the Company are of the opinion that the Company has ownership of the buildings.

19. GOODWILL

Group and Company

	As at 31 December	
	2014	2013
Cost and carrying value, at beginning and end of the year	223,278	223,278

Impairment testing on goodwill

The Company acquired the securities brokerage business, investment banking business together with the relevant assets and liabilities, and the interest in Galaxy Futures Company Limited from China Galaxy Securities LLC. (the “former Galaxy”) in January 2007. The Group recognized the excess of acquisition cost over the fair value of the net identifiable assets acquired as the goodwill. The Company considered the entire company as one cash generating unit (CGU).

During the years ended 31 December 2014 and 2013, management of the Group determined that there was no impairment of the CGU containing the goodwill and trading rights with indefinite useful lives (see note 20) as the recoverable amounts of the CGU exceed its carrying amounts.

The basis of the recoverable amount of the CGU and its major underlying assumptions are summarized below:

The recoverable amount of the CGU has been determined on the basis of value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period, and at a discount rate of 15.78% as at 31 December 2014 (2013: 15.01%). The cash flows beyond the 3-year period are assumed to remain unchanged. The discount rates used reflect specific risks relating to the CGU.

Other key assumptions for the value in use calculation relate to the estimation of cash flows which include budgeted income and gross margin, such estimation is based on the past performance and management’s expectations for the market development.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount. There was no impairment recognized as the recoverable amount of the CGU was higher than its carrying amount.



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20. OTHER INTANGIBLE ASSETS

Group

	Trading rights	Computer software	Total
COST			
As at 1 January 2013	303,410	140,894	444,304
Additions	–	24,350	24,350
Disposals/written-off	–	(19,703)	(19,703)
As at 31 December 2013	303,410	145,541	448,951
ACCUMULATED AMORTIZATION			
As at 1 January 2013	–	81,493	81,493
Charge for the year	–	19,810	19,810
Disposals/written-off	–	(1,603)	(1,603)
As at 31 December 2013	–	99,700	99,700
CARRYING VALUES			
As at 31 December 2013	303,410	45,841	349,251
COST			
As at 1 January 2014	303,410	145,541	448,951
Additions	500	36,371	36,871
Disposals/written-off	–	(4,082)	(4,082)
As at 31 December 2014	303,910	177,830	481,740
ACCUMULATED AMORTIZATION			
As at 1 January 2014	–	99,700	99,700
Charge for the year	–	30,002	30,002
Disposals/written-off	–	(3,123)	(3,123)
As at 31 December 2014	–	126,579	126,579
CARRYING VALUES			
As at 31 December 2014	303,910	51,251	355,161



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(Amounts in thousands of Renminbi, unless otherwise stated)

20. OTHER INTANGIBLE ASSETS (Continued)

Company

	Trading rights	Computer software	Total
COST			
As at 1 January 2013	301,199	132,046	433,245
Additions	–	17,604	17,604
Disposals/written-off	–	(19,703)	(19,703)
As at 31 December 2013	301,199	129,947	431,146
ACCUMULATED AMORTIZATION			
As at 1 January 2013	–	78,274	78,274
Charge for the year	–	18,092	18,092
Disposals/written-off	–	(1,602)	(1,602)
As at 31 December 2013	–	94,764	94,764
CARRYING VALUES			
As at 31 December 2013	301,199	35,183	336,382
COST			
As at 1 January 2014	301,199	129,947	431,146
Additions	500	27,676	28,176
Disposals/written-off	–	(4,082)	(4,082)
As at 31 December 2014	301,699	153,541	455,240
ACCUMULATED AMORTIZATION			
As at 1 January 2014	–	94,764	94,764
Charge for the year	–	25,761	25,761
Disposals/written-off	–	(3,123)	(3,123)
As at 31 December 2014	–	117,402	117,402
CARRYING VALUES			
As at 31 December 2014	301,699	36,139	337,838

Trading rights mainly comprise the trading rights in the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Stock Exchange and the Hong Kong Futures Exchange Limited. These rights allow the Group to trade securities and futures contracts on or through these exchanges.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

20. OTHER INTANGIBLE ASSETS (Continued)

Impairment testing on trading rights with indefinite useful lives

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortized until their useful life is determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The trading rights are being used in the following CGUs and the carrying amount of trading rights is allocated as follows:

Group

	As at 31 December	
	2014	2013
Securities brokerage	291,670	287,359
Others	12,240	16,051
	303,910	303,410

Company

	As at 31 December	
	2014	2013
Securities brokerage	290,859	287,359
Others	10,840	13,840
	301,699	301,199

The respective recoverable amounts of these CGUs where the trading rights are allocated to, using a value in use calculation, exceed their carrying amounts. Accordingly, there were no impairment of the trading rights as at 31 December 2014 and 2013.

21. INVESTMENTS IN SUBSIDIARIES

Company

	As at 31 December	
	2014	2013
Unlisted shares, at cost	3,332,980	2,514,660
Less: Allowance for impairment losses	(147,500)	(147,500)
	3,185,480	2,367,160



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(Amounts in thousands of Renminbi, unless otherwise stated)

21. INVESTMENTS IN SUBSIDIARIES (Continued)

As at 31 December 2014, the Company has the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Equity interest and voting right held by the Group		Share capital/ registered/ paid-up capital (RMB unless otherwise stated)	Principal activities
		2014	2013		
銀河創新資本管理有限公司 Galaxy Capital Management Company Limited ("Galaxy Capital")*	Beijing, PRC	100%	100%	1,000,000,000	Assets management, project investment and investment management
China Galaxy International Financial Holdings Company Limited ("Galaxy International Financial Holdings") (Note 1)	Hong Kong, PRC	100%	100%	HKD1,000,000,000	Investment holding
銀河期貨有限公司 Galaxy Futures Company Limited. ("Galaxy Futures")*	Beijing, PRC	83.32%	83.32%	1,200,000,000	Commodity futures broking, financial futures broking, futures investment consultancy and asset management
銀河金匯證券資產管理有限公司 Galaxy Jinhui Securities Asset Management Company Limited ("Galaxy Jinhui")* (Note 2)	Shenzhen, PRC	100%	–	500,000,000	Asset management
China Galaxy International Futures (Hong Kong) Company Limited	Hong Kong, PRC	100%	100%	HKD30,000,000	Futures contracts dealing and broking
China Galaxy International Securities (Hong Kong) Company Limited (Note 3)	Hong Kong, PRC	100%	100%	HKD600,000,000	Securities broking
China Galaxy International Finance (Hong Kong) Company Limited	Hong Kong, PRC	100%	100%	HKD1,000,000	Money lending
China Galaxy International Assets Management (Hong Kong) Company Limited (Note 4)	Hong Kong, PRC	100%	100%	HKD20,000,000	Asset management
銀河金岩投資諮詢(深圳)有限公司 Galaxy Golden Rock Investment Consultancy (Shenzhen) Company Limited*	Shenzhen, PRC	100%	100%	2,200,000	Economic information consultancy, enterprise management consultancy and project investment consultancy
China Galaxy International Wealth Management (Hong Kong) Company Limited	Hong Kong, PRC	100%	100%	HKD500,000	Wealth management and insurance broking
銀河粵科基金管理有限公司 Galaxy Yueke Fund Management Co., Ltd. ("Galaxy Yueke Fund")*	Foshan, PRC	51%	51%	100,000,000	Investment fund management



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

21. INVESTMENTS IN SUBSIDIARIES (Continued)

As at 31 December 2014, the Company has the following subsidiaries: (Continued)

Name of subsidiary	Place of incorporation/ establishment	Equity interest and voting right held by the Group		Share capital/ registered/ paid-up capital (RMB unless otherwise stated)	Principal activities
		2014	2013		
銀河粵科(廣東)產業投資基金 (有限合伙) Galaxy Yueke (Guangdong) Industry Investment Fund (Limited Partnership) *	Foshan, PRC	40%	40%	500,000,000	Investing in securities
銀河德睿資本管理有限公司 Galaxy Derivatives Capital Management Company Limited* (Note 5)	Shanghai, PRC	70%	—	200,000,000	Assets management and investment management

Note 1: In July 2014, the paid-in capital of Galaxy International Financial Holdings has been increased by HKD400 million to HKD1 billion. The Company contributed such additional capital in cash.

Note 2: In April 2014, Galaxy Jinhui was established in the PRC and is a wholly-owned subsidiary of the Company.

Note 3: In July 2014, the paid-in capital of China Galaxy International Securities (Hong Kong) Company Limited has been increased by HKD300 million to HKD600 million. Galaxy International Financial Holdings contributed such additional capital in cash.

Note 4: In July 2014, the paid-in capital of China Galaxy International Assets Management (Hong Kong) Company Limited has been increased by HKD10 million to HKD20 million. Galaxy International Financial Holdings contributed such additional capital in cash.

Note 5: In April 2014, Galaxy Derivatives Capital Management Company Limited was established in the PRC by Galaxy Futures and Galaxy Financial Holdings. Galaxy Futures and Galaxy Financial Holdings contributed the paid-in capital by cash in the amount of RMB140 million for a 70% equity interest and RMB60 million for a 30% equity interest respectively.

* These subsidiaries do not have official English names.

In the opinion of the directors, there is no subsidiary with material non-controlling interests within the Group. Accordingly, no further information on non-wholly-owned subsidiary has been presented.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

22. INVESTMENT IN AN ASSOCIATE

Group and Company

	As at 31 December	
	2014	2013
Carrying amount of unlisted investment	20,011	19,856
Allowance for impairment losses	–	–
Net carrying amount	20,011	19,856

Details of the associate are as follows:

Name of subsidiary	Place of establishment	Proportion of equity interests held by the Group		Proportion of voting power		Principal activities
		2014	2013	2014	2013	
北京股權交易中心有限公司 Beijing Equity Exchange Centre Co., Ltd.	Beijing, PRC	10%	10%	10%	10%	Operates an exchange for the trading of unlisted equity investments and debt securities

The following table provides a summary of total comprehensive income of the associate attributable to the Company:

	Year ended 31 December	
	2014	2013
Profit for the year	345	(334)
Other comprehensive (expense)/income	(190)	190
Total comprehensive income/(expense) for the year	155	(144)

In January 2013, the Company invested RMB20 million in Beijing Equity Exchange Centre Co., Ltd. (“Beijing Equity Exchange”) for a 10% equity interest and voting right. The Company has accounted for its interest in Beijing Equity Exchange as investment in an associate as the Company has appointed one out of seven directors on the Board of Directors of Beijing Equity Exchange and exercise significant influence over Beijing Equity Exchange.

23. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group served as manager of structured entities (including collective asset management plans and private equity funds), therefore had power over them during the reporting periods. In the opinion of the directors of the Company, the variable returns the Group exposed to over these collective asset management plans that the Group has interests are not significant. The Group therefore did not consolidate these structured entities.

The size of unconsolidated collective asset management plans managed by the Group amounted to RMB919 million and RMB1,625 million as at 31 December 2014 and 2013, respectively. The Group classified the investments in these unconsolidated collective asset management plans as available-for-sale financial assets and financial assets held for trading as appropriate. The Group’s interests in and exposure to these collective asset management plans are not significant.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	As at 31 December	
	2014	2013
Non-current		
Measured at fair value:		
Other investments ⁽¹⁾	233,724	200,100
Measured at cost:		
Equity securities ⁽²⁾		
– issued by corporate entities	278,138	294,950
	511,862	495,050
Analyzed as:		
Unlisted	511,862	495,050

	As at 31 December	
	2014	2013
Current		
Measured at fair value:		
Debt securities	9,008,310	7,934,536
– government bonds	303,324	56,046
– corporate bonds	8,704,986	7,878,490
Equity securities	424,261	390,393
– issued by corporate entities	376,747	378,667
– issued by banks and other financial institutions	46,434	10,696
– issued by public utility entities	926	727
– issued by others	154	303
Funds	11,588	11,684
Other investments ⁽¹⁾	1,627,514	958,469
	11,071,673	9,295,082
Analyzed as:		
Listed in mainland, PRC ⁽³⁾	9,081,371	7,924,134
Unlisted	1,990,302	1,370,948

Company

	As at 31 December	
	2014	2013
Non-current		
Measured at fair value:		
Other investments ⁽¹⁾	233,724	200,100
Analyzed as:		
Unlisted	233,724	200,100



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Company (Continued)

Current	As at 31 December	
	2014	2013
Measured at fair value:		
Debt securities	9,008,310	7,934,536
– government bonds	303,324	56,046
– corporate bonds	8,704,986	7,878,490
Equity securities	403,722	390,393
– issued by corporate entities	356,208	378,667
– issued by banks and other financial institutions	46,434	10,696
– issued by public utility entities	926	727
– issued by others	154	303
Funds	11,588	11,684
Other investments ⁽¹⁾	774,897	218,643
	10,198,517	8,555,256
Analyzed as:		
Listed in mainland, PRC ⁽³⁾	9,060,832	7,924,134
Unlisted	1,137,685	631,122

(1) Other investments represent investments in collective asset management plans issued and managed by the Group in 2014, wealth management products issued by banks and targeted asset management plans managed by non-bank financial institutions, which mainly invest in debt securities and publicly traded equity securities listed in the PRC. The Group has committed to hold its undated collective asset management plans and other investments with investment period ranging from one year to eight years till the end of the investment period.

(2) During the year ended 31 December 2014, an impairment loss of RMB10.00 million (2013: RMB147.50 million) in respect of certain private equity investments measured at cost less impairment was recognized.

The unlisted equity securities held by the Group are issued by private companies that are in the mineral resources, manufacturing or information technology sectors, among others. As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably. The values of these securities are measured at cost less impairment at the end of each reporting period.

(3) Included in the Group's listed equity securities of approximately RMB151.53 million as at 31 December 2014 (2013: RMB362.94 million) were restricted shares listed in the PRC with a legally enforceable restriction that prevents the Group to dispose of within the specified period.

In the opinion of the directors of the Company, non-current available-for-sale financial assets are not expected to be realized within one year from the end of the reporting periods.

The Group and the Company entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale equity securities and exchange-traded funds ("ETF") to clients. These securities continued to be recognized as financial assets of the Group and the Company, and the total fair value amounted to RMB38.40 million (2013: RMB26.82 million).

25. LOAN INVESTMENT

As at 31 December 2014, the loan investment is a loan to third parties by Galaxy Capital through a debt investment plan.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

26. DEFERRED TAXATION

For presentation purpose, 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:

Group

	As at 31 December	
	2014	2013
Net deferred income tax assets, at beginning of year	308,204	174,385
Recognized in profit or loss	237,335	31,164
Recognized in other comprehensive income	(197,889)	102,655
Net deferred income tax assets, at end of year	347,650	308,204

Company

	As at 31 December	
	2014	2013
Net deferred income tax assets, at beginning of year	290,306	150,991
Recognized in profit or loss	236,392	36,579
Recognized in other comprehensive income	(195,726)	102,736
Net deferred income tax assets, at end of year	330,972	290,306

The movements of deferred tax assets and liabilities are set out below:

Group

	Changes in fair value of financial assets at fair value through profit or loss	Changes in fair value of available- for-sale financial assets	Accrued staff costs	Allowance of impairment losses	Accrued interest expenses	Accrued expenses	Changes in fair value of derivative instruments	Accrued interest income	Provisions	Others	Total
At 1 January 2013	(10,738)	9,055	214,563	8,785	2,571	4,952	7,243	(68,300)	4,725	1,529	174,385
Credit/(charge) to profit or loss	38,501	-	49,319	8,686	21,538	1,572	(6,048)	(82,090)	(191)	(123)	31,164
Credit to other comprehensive income	-	102,655	-	-	-	-	-	-	-	-	102,655
At 31 December 2013	27,763	111,710	263,882	17,471	24,109	6,524	1,195	(150,390)	4,534	1,406	308,204
(Charge)/credit to profit or loss	(175,172)	-	397,306	4,633	69,864	4,322	14,530	(65,965)	(4,493)	(7,690)	237,335
Charge to other comprehensive income	-	(189,320)	-	(8,569)	-	-	-	-	-	-	(197,889)
At 31 December 2014	(147,409)	(77,610)	661,188	13,535	93,973	10,846	15,725	(216,355)	41	(6,284)	347,650



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

26. DEFERRED TAXATION (Continued)

Company

	Changes in fair value of financial assets at fair value through profit or loss	Changes in fair value of available- for-sale financial assets	Accrued staff costs	Allowance of impairment losses	Accrued interest expenses	Accrued expenses	Changes in fair value of derivative instruments	Accrued interest income	Provisions	Others	Total
At 1 January 2013	(10,321)	9,055	188,718	8,785	2,571	4,224	7,243	(65,341)	4,725	1,332	150,991
Credit/(charge) to profit or loss	38,084	-	46,088	8,686	21,538	2,299	(6,048)	(73,877)	(191)	-	36,579
Credit to other comprehensive income	-	102,736	-	-	-	-	-	-	-	-	102,736
At 31 December 2013	27,763	111,791	234,806	17,471	24,109	6,523	1,195	(139,218)	4,534	1,332	290,306
(Charge)/credit to profit or loss	(174,849)	-	380,191	4,502	69,864	3,712	14,530	(50,303)	(4,493)	(6,762)	236,392
Charge to other comprehensive income	-	(187,157)	-	(8,569)	-	-	-	-	-	-	(195,726)
At 31 December 2014	(147,086)	(75,366)	614,997	13,404	93,973	10,235	15,725	(189,521)	41	(5,430)	330,972

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.

The Group has estimated unutilized tax losses of RMB166.22 million as at 31 December 2014 (2013: RMB201.24 million), available for offsetting against future profits of subsidiaries, and a portion of which have not been agreed with the PRC tax bureau or the Hong Kong tax authority. No deferred tax asset has been recognized due to the unpredictability of future profit streams of these PRC and Hong Kong group entities in the Group. The tax losses of PRC Group entities amounting to RMB3.18 million as at 31 December 2014 will expire in 2019, and those of Hong Kong entities amounting to RMB5.54 million as at 31 December 2014 (2013: RMB24.24 million), can be carried forward indefinitely.

27. ADVANCES TO CUSTOMERS

Group

	As at 31 December	
	2014	2013
Loans to margin clients	60,960,411	18,298,434
Other loans and advances	482,246	94,344
Less: Impairment on advances to customers	-	-
	61,442,657	18,392,778



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

27. ADVANCES TO CUSTOMERS (Continued)

Company

	As at 31 December	
	2014	2013
Loans to margin clients	59,927,053	17,660,392
Less: Impairment on advances to customers	–	–
	59,927,053	17,660,392

The credit facility limits for margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

Based on the agreement terms with margin clients in Hong Kong, the Group is able to repledge clients' securities for margin financing arrangements with qualified financial institutions. The fair values of these listed securities at 31 December 2014 was RMB11,936.98 million (2013: RMB3,269.56 million).

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value to the users of these consolidated financial statements in view of the nature of business of securities margin financing.

The Group evaluates the collectability of loans based on management's judgement regarding the change in credit quality, collateral value and the past collection history of each client. Management considered that there were no impaired debts as at 31 December 2014 and 2013.

The concentration of credit risk is limited due to the customer base being large and diversified.

28. ACCOUNTS RECEIVABLE

Group

	As at 31 December	
	2014	2013
Accounts receivable of:		
Client securities settlement	139,501	104,910
Brokers and dealers	45,248	53,994
Clearing house (note 56)	25,453	23,322
Underwriting and sponsors fee	87,822	48,460
Trading rights rental commission	105,083	57,807
Asset management and funds distribution handling fee	57,866	13,191
Investment advisory fee	–	1,500
Others	7,388	6,588
Subtotal	468,361	309,772
Less: Impairment on accounts receivable	(10,104)	(8,857)
Total	458,257	300,915



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(Amounts in thousands of Renminbi, unless otherwise stated)

28. ACCOUNTS RECEIVABLE (Continued)

Group (Continued)

Aging analysis of accounts receivable is as follows:

	As at 31 December	
	2014	2013
Within 1 year	457,032	289,575
Between 1 and 2 years	1,209	11,340
Between 2 and 3 years	16	–
	458,257	300,915

Company

	As at 31 December	
	2014	2013
Accounts receivable of:		
Underwriting and sponsors fee	82,595	48,460
Trading rights rental commission	105,083	57,808
Asset management and funds distribution handling fee	5,761	13,191
Investment advisory fee	–	1,500
Others	7,231	6,588
Subtotal	200,670	127,547
Less: Impairment on accounts receivable	(9,600)	(8,857)
Total	191,070	118,690

Aging analysis of accounts receivable is as follows:

	As at 31 December	
	2014	2013
Within 1 year	189,845	107,350
Between 1 and 2 years	1,209	11,340
Between 2 and 3 years	16	–
	191,070	118,690



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

28. ACCOUNTS RECEIVABLE (Continued)

The movements in the allowance for impairment on accounts receivable are set out below:

Group

	As at 31 December	
	2014	2013
At beginning of the year	8,857	1,210
Impairment losses recognized	1,247	7,647
At end of the year	10,104	8,857

Company

	As at 31 December	
	2014	2013
At beginning of the year	8,857	1,210
Impairment losses recognized	743	7,647
At end of the year	9,600	8,857

The credit term of accounts receivable is generally within three months. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimize credit risk. Overdue balances are regularly monitored by management.

29. OTHER RECEIVABLES AND PREPAYMENTS

Group

	As at 31 December	
	2014	2013
Prepaid taxes	1,572	29,894
Interest receivable	889,990	638,993
Prepaid expenses	168,268	110,053
Fund redemption receivable	3,762	32,883
Others	65,276	59,304
Subtotal	1,128,868	871,127
Less: Impairment on other receivables	(12,197)	(9,150)
Total	1,116,671	861,977



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(Amounts in thousands of Renminbi, unless otherwise stated)

29. OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Company

	As at 31 December	
	2014	2013
Prepaid taxes	1,572	29,894
Interest receivable	776,164	594,462
Prepaid expenses	153,539	100,769
Fund redemption receivable	3,762	32,883
Others	50,188	39,429
Subtotal	985,225	797,437
Less: Impairment on other receivables	(12,176)	(9,150)
Total	973,049	788,287

The movements in the allowance for impairment on other receivables are set out below:

Group

	As at 31 December	
	2014	2013
At beginning of the year	9,150	3,965
Impairment losses recognized	15,134	15,108
Amounts written off	(12,087)	(9,923)
At end of the year	12,197	9,150

Company

	As at 31 December	
	2014	2013
At beginning of the year	9,150	3,965
Impairment losses recognized	15,113	15,108
Amounts written off	(12,087)	(9,923)
At end of the year	12,176	9,150

30. AMOUNTS DUE FROM SUBSIDIARIES

Amounts due from subsidiaries are unsecured and repayable on demand. The Company expects to recover the amounts due from subsidiaries within one year from the end of the reporting periods.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

31. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Group

	As at 31 December	
	2014	2013
Non-current		
Analyzed by collateral type:		
Stocks	89,652	196,445
Analyzed by market of collateral:		
Stock exchanges	89,652	196,445
Current		
Analyzed by collateral type:		
Stocks	313,573	995,769
Bonds	7,001,600	50,000
Funds	–	41,624
	7,315,173	1,087,393
Analyzed by market of collateral:		
Stock exchanges	7,315,173	1,087,393

Company

	As at 31 December	
	2014	2013
Non-current		
Analyzed by collateral type:		
Stocks	89,652	196,445
Analyzed by market of collateral:		
Stock exchanges	89,652	196,445
Current		
Analyzed by collateral type:		
Stocks	313,573	995,769
Bonds	7,000,100	50,000
Funds	–	41,624
	7,313,673	1,087,393
Analyzed by market of collateral:		
Stock exchanges	7,313,673	1,087,393



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

32. FINANCIAL ASSETS HELD FOR TRADING

Group

	As at 31 December	
	2014	2013
Debt securities		
– government bonds	758,785	–
– financial bonds	464,167	229,642
– corporate bonds	2,627,887	3,039,367
Subtotal	3,850,839	3,269,009
Equity securities		
– issued by banks and other financial institutions	198,880	30,876
– issued by corporate entities	445,701	95,578
– issued by public utility entities	17,485	462
– issued by others	711	368
Subtotal	662,777	127,284
Funds	1,447,640	1,594,981
Other investments	–	36,047
Total	5,961,256	5,027,321
Analyzed as:		
Listed in mainland, PRC	2,502,524	1,184,745
Unlisted	3,458,732	3,842,576
Total	5,961,256	5,027,321



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

32. FINANCIAL ASSETS HELD FOR TRADING (Continued)

Company

	As at 31 December	
	2014	2013
Debt securities		
– government bonds	758,785	–
– financial bonds	464,167	229,642
– corporate bonds	2,410,690	3,039,367
Subtotal	3,633,642	3,269,009
Equity securities		
– issued by banks and other financial institutions	198,880	30,876
– issued by corporate entities	445,701	95,578
– issued by public utility entities	17,485	462
– issued by others	711	368
Subtotal	662,777	127,284
Funds	1,417,617	1,594,981
Total	5,714,036	4,991,274
Analyzed as:		
Listed in mainland, PRC	2,285,328	1,184,745
Unlisted	3,428,708	3,806,529
Total	5,714,036	4,991,274



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

33. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	As at 31 December	
	2014	2013
Convertible bonds ⁽¹⁾		
– financial bonds	226,308	144,833
– corporate bonds	431,066	484,009
Subtotal	657,374	628,842
Equity securities ⁽²⁾		
– issued by banks and other financial institutions	172,867	101,245
– issued by corporate entities	247,023	171,854
– issued by public utility entities	10,406	6,161
– issued by others	1,503	4,260
Subtotal	431,799	283,520
Funds ⁽²⁾	201,674	30,144
Other Investment	70,000	–
Total	1,360,847	942,506
Analyzed as:		
Listed in mainland, PRC	1,360,847	942,506

Company

	As at 31 December	
	2014	2013
Convertible bonds ⁽¹⁾		
– financial bonds	226,308	144,833
– corporate bonds	431,066	484,009
Subtotal	657,374	628,842
Equity securities ⁽²⁾		
– issued by banks and other financial institutions	172,867	101,245
– issued by corporate entities	247,023	171,854
– issued by public utility entities	10,406	6,161
– issued by others	1,503	4,260
Subtotal	431,799	283,520
Funds ⁽²⁾	201,674	30,144
Total	1,290,847	942,506
Analyzed as:		
Listed in mainland, PRC	1,290,847	942,506

⁽¹⁾ The convertible bonds held by the Group are hybrid instruments, which are designated as financial assets at fair value through profit or loss.

⁽²⁾ These equity securities and ETF are used for securities lending business which are designated as financial assets at fair value through profit or loss. As at 31 December 2014, the Group and the Company entered into securities lending arrangement with clients that resulted in the transfer of financial assets designated as at fair value through profit or loss with a fair value of RMB353.29 million (2013: RMB107.66 million) to clients. These equity securities and ETF continued to be recognized as financial assets of the Group and the Company.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

34. DERIVATIVE FINANCIAL INSTRUMENTS

Group and Company

	As at 31 December			
	2014		2013	
	Asset	Liability	Asset	Liability
Swap ⁽¹⁾	–	24,081	2,281	7,883
Stock index futures ⁽²⁾	–	37,197	821	–
Less: settlement	–	(37,197)	(821)	–
Treasury bond futures ⁽²⁾	–	1,624	–	–
Less: settlement	–	(1,624)	–	–
Options	–	3	–	–
Total	–	24,084	2,281	7,883

Company

	As at 31 December			
	2014		2013	
	Asset	Liability	Asset	Liability
Swap ⁽¹⁾	–	24,081	2,281	7,883
Stock index futures ⁽²⁾	–	37,197	821	–
Less: settlement	–	(37,197)	(821)	–
Treasury bond futures ⁽²⁾	–	1,624	–	–
Less: settlement	–	(1,624)	–	–
Total	–	24,081	2,281	7,883

⁽¹⁾ The equity return swaps are carried at fair values and the notional principal amounts of swaps as at 31 December 2014 were RMB54.56 million (2013: RMB83.51 million).

⁽²⁾ Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures and treasury bond futures were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the net position of the stock index futures and treasury bond futures contracts was nil at the end of each reporting period.



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(Amounts in thousands of Renminbi, unless otherwise stated)

35. DEPOSITS WITH EXCHANGES AND A NON-BANK FINANCIAL INSTITUTION

Group

	As at 31 December	
	2014	2013
Deposits with stock exchanges		
– Shanghai Stock Exchange	87,216	78,142
– Shenzhen Stock Exchange	75,356	52,812
– Hong Kong Stock Exchange	19,456	8,024
Deposits with futures and commodity exchanges		
– China Financial Futures Exchange	2,084,664	693,724
– Shanghai Futures Exchange	1,214,332	1,038,777
– Hong Kong Futures Exchange	50,678	21,646
– Dalian Commodity Exchange	795,588	587,138
– Zhengzhou Commodity Exchange	502,629	347,569
– Shanghai Gold Exchange	2,820	–
China Securities Finance Corporation Limited	1,210,567	1,410
Others	6,709	11,500
	6,050,015	2,840,742

Company

	As at 31 December	
	2014	2013
Deposits with stock exchanges		
– Shanghai Stock Exchange	74,316	78,142
– Shenzhen Stock Exchange	62,456	52,812
Deposits with commodity exchanges		
– Shanghai Gold Exchange	2,820	–
China Securities Finance Corporation Limited	1,210,567	1,410
Others	6,709	11,500
	1,356,868	143,864



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(Amounts in thousands of Renminbi, unless otherwise stated)

36. CLEARING SETTLEMENT FUNDS

Group

	As at 31 December	
	2014	2013
Clearing settlement funds held with clearing houses for:		
– House accounts	1,050,389	291,454
– Clients	30,209,981	4,082,463
	31,260,370	4,373,917

Company

	As at 31 December	
	2014	2013
Clearing settlement funds held with clearing houses for:		
– House accounts	907,217	226,828
– Clients	30,035,930	3,815,770
	30,943,147	4,042,598

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

37. BANK BALANCES

Group

	As at 31 December	
	2014	2013
House accounts	7,654,093	3,339,541
Cash held on behalf of customers ⁽¹⁾	44,157,509	29,744,157
	51,811,602	33,083,698



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(Amounts in thousands of Renminbi, unless otherwise stated)

37. BANK BALANCES (Continued)

Company

	As at 31 December	
	2014	2013
House accounts	5,784,443	1,815,793
Cash held on behalf of customers ⁽¹⁾	35,961,663	25,298,074
	41,746,106	27,113,867

Bank balances comprise time and demand deposits at bank which bear interest at the prevailing market rates.

⁽¹⁾ The Group and the Company maintain bank accounts with banks to hold customers' deposits arising from normal business transactions. The Group and the Company have recognized the corresponding amount in accounts payable to brokerage clients (note 42).

38. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

Group

	As at 31 December	
	2014	2013
Bank balances – house accounts	6,453,498	1,903,056
Clearing settlement funds – house accounts	1,050,389	291,454
	7,503,887	2,194,510

Cash and cash equivalent does not include bank deposits with original maturity of more than three months held by the Group and restricted bank deposits. As at 31 December 2014, bank deposits with original maturity of more than three months held by the Group were RMB1,200.60 million (2013: RMB1,420.48 million) and no bank deposit was restricted for use (2013: RMB16.00 million).



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(Amounts in thousands of Renminbi, unless otherwise stated)

39. BONDS PAYABLE

Details of the bonds issued by the Company are as follows:

Current

Issue date	Maturity date	Coupon rate	As at	As at
			31 December 2014 Par value	31 December 2013 Par value
10 September 2013	10 September 2014	5.85%	–	1,000,000
11 September 2013	11 September 2014	5.85%	–	2,500,000
31 October 2013	31 October 2014	6.25%	–	500,000
13 January 2014	14 July 2014	6.85%	–	–
2 September 2014	2 September 2015	5.60%	1,100,000	–
2 September 2014	4 March 2015	5.45%	1,300,000	–
17 September 2014	19 June 2015	5.55%	1,000,000	–
23 September 2014	23 September 2015	5.80%	1,700,000	–
26 December 2014	26 December 2015	6.50%	6,000,000	–
30 October 2014 ⁽¹⁾	30 October 2017	5.30%	4,000,000	–
26 November 2014 ⁽¹⁾	26 November 2017	5.10%	1,500,000	–
5 December 2014 ⁽¹⁾	5 December 2017	5.10%	1,500,000	–
15 December 2014 ⁽¹⁾	15 December 2017	6.00%	2,600,000	–
			20,700,000	4,000,000

Non-current

Issue date	Maturity date	Coupon rate	As at	As at
			31 December 2014 Par value	31 December 2013 Par value
26 November 2014	26 November 2016	5.20%	1,500,000	–
5 December 2014	5 December 2016	5.30%	1,500,000	–
15 December 2014	15 December 2016	6.30%	3,200,000	–
			6,200,000	–

⁽¹⁾ The Company issued these four subordinated bonds with a maturity term of 3 years. The coupon rates per annum for the first year are 5.3%, 5.1%, 5.1% and 6.0%, respectively, for subordinated bonds issued on 30 October 2014, 26 November 2014, 5 December 2014 and 15 December 2014. The Company can choose to redeem the subordinated bonds at face value on 30 October 2015, 26 November 2015, 5 December 2015 and 15 December 2015 respectively or to adjust the coupon rates for the remaining 2 years within thirtieth working days before 30 October 2015, 26 November 2015, 5 December 2015 and 15 December 2015 respectively, and the bond holders can choose whether to sell back at face value on 30 October 2015, 26 November 2015, 5 December 2015 and 15 December 2015 respectively.

As at 31 December 2014, bonds payable comprised of subordinated bonds and corporate bonds.

40. DUE TO BANKS AND A NON-BANK FINANCIAL INSTITUTION

Group

	As at 31 December	
	2014	2013
Secured short-term bank loans ⁽¹⁾	306,882	180,826
Unsecured short-term bank loan ⁽²⁾	505,241	121,861
Placements from a non-bank financial institution ⁽³⁾	1,000,000	290,000
	1,812,123	592,687



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(Amounts in thousands of Renminbi, unless otherwise stated)

40. DUE TO BANKS AND A NON-BANK FINANCIAL INSTITUTION (Continued)

Company

	As at 31 December	
	2014	2013
Placements from a non-bank financial institution ⁽³⁾	1,000,000	290,000

⁽¹⁾ The short-term bank loans borrowed by the Group are secured by the listed shares in Hong Kong pledged to the Group as a security for advances to customers (with customers' consent) with a fair value of approximately RMB1,222.96 million (31 December 2013: RMB605.28 million). The short-term bank loans bear interest at 1.49%-1.74% per annum (31 December 2013: 1.49%-1.93% per annum) and are repayable within 3 months.

⁽²⁾ As at 31 December 2014, the unsecured short-term bank loans bear interest at 1.69%-2.89% per annum (31 December 2013: 1.91%-2.41% per annum) and are repayable within 3 months.

⁽³⁾ As at 31 December 2014, the placements obtained from China Securities Finance Corporation Limited bear interest at 5.8% per annum and due within 182 days.

As at 31 December 2013, the placements were obtained from a non-bank financial institution bearing interest at 5.26% per annum.

41. SHORT-TERM FINANCING INSTRUMENT PAYABLES

As at 31 December 2014, short-term financing instrument payables are all beneficiary certificates issued by the Company which bear interest at 4.75% to 7% per annum (2013: nil) and due within 183 days.

42. 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 normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value to the readers of these consolidated financial statements in view of the nature of these businesses.

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group and the Company, and are interest bearing at the prevailing market interest rate.

As at 31 December 2014, included in the Group's accounts payable to brokerage clients were approximately RMB6,005.51 million (2013: RMB1,361.64 million) of cash collateral received from clients for margin financing and securities lending arrangement, and included in the Company's accounts payable to brokerage clients were approximately RMB6,005.51 million (2013: RMB1,361.64 million) of cash collateral received from clients for margin financing and securities lending arrangement.



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(Amounts in thousands of Renminbi, unless otherwise stated)

43. ACCRUED STAFF COSTS

Group

	As at 31 December	
	2014	2013
Salaries, bonus and allowances	2,622,697	1,020,072
Social welfare	5,242	8,180
Annuity schemes	8,700	6,399
Supplementary retirement benefits (Note 1)	203,301	156,959
Early retirement benefits (Note 2)	36,070	48,067
Others	56,664	48,045
	2,932,674	1,287,722

Company

	As at 31 December	
	2014	2013
Salaries, bonus and allowances	2,410,729	877,917
Social welfare	5,133	8,070
Annuity schemes	8,701	6,399
Supplementary retirement benefits (Note 1)	203,301	156,959
Early retirement benefits (Note 2)	36,070	48,067
Others	50,829	43,937
	2,714,763	1,141,349

Note 1: Supplementary retirement benefits

The present value of supplementary retirement benefits, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The calculation of present value of supplementary retirement benefits at 31 December 2014 and 2013 were carried out by Mercer Consulting (China) Ltd.

Movements in the present value of supplementary retirement benefits for the Group and the Company are as follows:

	Year ended 31 December	
	2014	2013
Beginning of the year	156,959	176,085
Current service cost	–	633
Interest on obligation	7,643	7,085
Benefit paid	(8,201)	(6,552)
Actuarial losses/(gains) recognized	46,900	(20,292)
End of the year	203,301	156,959



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

43. ACCRUED STAFF COSTS (Continued)

Note 1: Supplementary retirement benefits-continued

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Valuation at	
	31 December 2014 %	31 December 2013 %
Discount rates of supplementary retirement benefits	4.00	5.00
Expected rates of benefits increase	4.00	4.00
Mortality rates	According to the China Life Insurance Mortality Table (published historical statistics in China)	

Amounts recognized in profit or loss and other comprehensive income in respect of the defined benefit plan are as follows:

	Year ended 31 December	
	2014	2013
Service cost:		
Current service cost	–	633
Net interest expense	7,643	7,085
Components of defined benefit costs recognized in profit or loss	7,643	7,718
Remeasurement on the net defined benefit liability:		
Actuarial losses/(gains) arising from changes in assumptions	25,145	(20,217)
Actuarial losses/(gains) arising from experience adjustments	21,755	(75)
Components of defined benefit costs recognized in other comprehensive income	46,900	(20,292)
Total	54,543	(12,574)

Note 2: During the year ended 31 December 2014, the Group recognized RMB4.93 million (2013: RMB4.55 million) as staff costs and paid RMB17.01 million (2013: RMB17.30 million) in respect of the early retirement benefits.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

44. OTHER PAYABLES AND ACCRUALS

Group

Current

	As at 31 December	
	2014	2013
Third-party interests in a consolidated structured entity	313,929	300,838
Dividend payable	–	436,171
Business taxes and surcharges	223,114	121,853
IPO expenses payable	56,522	155,727
Customer deposit held for swap transaction	10,938	60,757
Accrued expense	68,784	68,505
Payables to margin client (note 56)	380,997	143,763
Payables to clearing house (note 56)	63,233	23,642
Sundry payables	54,649	48,732
Payable for the securities investor protection fund	41,508	26,496
Interest payable	376,496	96,746
Litigation	–	18,136
Others	311,016	115,005
	1,901,186	1,616,371

Non-current

	As at 31 December	
	2014	2013
Third-party interests in a consolidated structured entity	200,000	–
	200,000	–

Company

Current

	As at 31 December	
	2014	2013
Dividend payable	–	424,444
Business taxes and surcharges	216,785	116,502
IPO expenses payable	56,522	155,727
Customer deposit held for swap transaction	10,938	60,757
Accrued expense	58,884	48,364
Sundry payables	48,144	48,682
Payable for the securities investor protection fund	41,508	26,496
Interest payable	375,894	96,440
Litigation	–	18,136
Others	50,104	24,261
	858,779	1,019,809



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(Amounts in thousands of Renminbi, unless otherwise stated)

45. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Group

Current

	As at 31 December	
	2014	2013
Analyzed by collateral type:		
Bonds	10,057,505	6,998,379
Rights and interests in margin loans	20,107,420	1,900,000
Others	–	8
	30,164,925	8,898,387
Analyzed by market of collateral:		
Stock exchanges	9,143,310	6,938,227
Interbank bond market	914,195	60,160
Others	20,107,420	1,900,000
	30,164,925	8,898,387

Non-current

	As at 31 December	
	2014	2013
Analyzed by collateral type:		
Rights and interests in margin loans	2,575,000	–
Analyzed by market of collateral:		
Others	2,575,000	–



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

45. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (Continued)

Company

Current

	As at 31 December	
	2014	2013
Analyzed by collateral type:		
Bonds	9,932,145	6,998,379
Rights and interests in margin loans	20,107,420	1,900,000
Others	–	8
	30,039,565	8,898,387
Analyzed by market of collateral:		
Stock exchanges	9,017,950	6,938,227
Interbank bond market	914,195	60,160
Others	20,107,420	1,900,000
	30,039,565	8,898,387

Non-current

	As at 31 December	
	2014	2013
Analyzed by collateral type:		
Rights and interests in margin loans	2,575,000	–
Analyzed by market of collateral:		
Others	2,575,000	–

Note: The Group entered into securities borrowing agreements with banks to borrow debt securities. As stipulated in the securities borrowing agreements, the legal ownership of these debt securities is transferred to the Group. Although the Group is allowed to sell or repledge these debt securities during the covered period, the Group has the obligations to return these debt securities to the banks at specified future dates and the maximum covered period is 14 days. As at 31 December 2014, the Group borrowed debt securities with a fair value of RMB0.48 billion (2013: nil) from the banks and pledged debt securities classified as available-for-sale financial assets with a fair value of RMB0.34 billion as collaterals under the securities borrowing agreements. These debt securities borrowed by the Group have all been used as collaterals under repurchase agreements with counterparties as at 31 December 2014 and the amounts repayable under the securities borrowing agreements are presented as financial assets sold under repurchase agreements.



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(Amounts in thousands of Renminbi, unless otherwise stated)

46. SHARE CAPITAL

The Company's number of shares and nominal value are as follows:

	As at 31 December	
	2014	2013
Issued and fully paid ordinary shares of RMB1 each (in thousands)		
Domestic shares	5,846,274	5,846,274
H shares	1,690,985	1,690,985
	7,537,259	7,537,259
Share capital (in RMB'000)		
Domestic shares	5,846,274	5,846,274
H shares	1,690,985	1,690,985
	7,537,259	7,537,259

In May 2013, the Company completed its initial public offering of 1,500,000,000 H shares on the Main Board of Hong Kong Stock Exchange. In June 2013, the joint global coordinators exercised the over-allotment option and thus the Company had issued an additional 37,258,757 H shares which are also listed on the Main Board of Hong Kong Stock Exchange.

According to the relevant PRC requirements, existing shareholders of the state-owned shares of the Company as at 20 June 2013 have transferred an aggregate of 153,725,876 shares of the Company to the National Council for Social Security Fund of the PRC, and such shares were then converted into H shares on a one-for-one basis. As a result of the H share issuance and the above-mentioned transfer, the number of H shares and domestic shares as at 31 December 2013 are 1,690,984,633 and 5,846,274,124 (1 January 2013: domestic shares of 6,000,000,000 only) respectively.



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(Amounts in thousands of Renminbi, unless otherwise stated)

47. RESERVES AND RETAINED PROFITS

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Investment revaluation reserve

Investment revaluation reserve represents the fair value changes of available-for-sale financial assets.

(c) Translation reserve

Translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries incorporated outside the PRC.

(d) General reserves

General reserves comprise of 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 production scale and capitalization. If the statutory reserve is capitalized into share capital, the remaining reserve is required to be not less than 25% of the Company's registered capital before capitalization.

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.

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 and the reserve for general risk.

Out of the Group's retained profits RMB39.89 million as at December 2014 (31 December 2013: RMB26.69 million) represents the Company's share of its subsidiaries' statutory reserve which cannot be used for profit distribution.

(e) Other reserves

Other reserves records the actuarial gains or losses arising from the remeasurement of defined benefit obligation.



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(Amounts in thousands of Renminbi, unless otherwise stated)

47. RESERVES AND RETAINED PROFITS (Continued)

(f) Distributable profits

In accordance with the relevant regulations, the distributable profits of the Company is deemed to be the lower of (i) the retained profits determined in accordance with PRC GAAP and (ii) the retained profits determined in accordance with IFRSs.

(g) The movements in reserves and retained profits of the Company are set out below:

	Reserves					Retained profits
	Capital reserve	Investment revaluation reserve	General reserves	Other reserves	Subtotal	
At 1 January 2013	–	(27,165)	6,298,403	–	6,271,238	5,070,700
Profit for the year	–	–	–	–	–	2,125,149
Other comprehensive (expense)/ income for the year	–	(308,019)	–	20,292	(287,727)	–
Total comprehensive (expense)/ income for the year	–	(308,019)	–	20,292	(287,727)	2,125,149
Issuance of H shares ⁽¹⁾	4,960,998	–	–	–	4,960,998	–
Transaction costs of issuance of H shares ⁽¹⁾	(214,099)	–	–	–	(214,099)	–
Appropriation to general reserves	–	–	777,181	–	777,181	(777,181)
Special Dividend	–	–	–	–	–	(424,444)
At 31 December 2013	4,746,899	(335,184)	7,075,584	20,292	11,507,591	5,994,224
Profit for the year	–	–	–	–	–	3,683,038
Other comprehensive income/ (expense) for the year	–	586,990	–	(46,900)	540,090	–
Total comprehensive income/ (expense) for the year	–	586,990	–	(46,900)	540,090	3,683,038
Appropriation to general reserves	–	–	1,104,912	–	1,104,912	(1,104,912)
2013 final dividend	–	–	–	–	–	(467,310)
At 31 December 2014	4,746,899	251,806	8,180,496	(26,608)	13,152,593	8,105,040

- (1) The Company was listed on the Main Board of the Hong Kong Stock Exchange on 22 May 2013. The excess of the proceeds over the nominal value of the total number of ordinary shares issued which amounted to RMB4,960,998,000 was credited to the capital reserve. The Company incurred RMB214,099,000 as share issuance costs, of which RMB51,519,000 was paid to its subsidiary and eliminated on consolidation.



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(Amounts in thousands of Renminbi, unless otherwise stated)

48. TRANSFERRED OF FINANCIAL ASSETS

The following tables provide a summary of carrying amounts and fair values of the transferred financial assets that are not derecognized in their entirety and the associated liabilities:

Group

As at 31 December 2014	Held for trading	Financial assets designated as at fair value through profit and loss	Available-for-sale financial assets	Advance to customers	Total
Carrying amount of transferred assets	2,073,563	626,045	8,233,885	28,034,031	38,967,524
Carrying amount of associated liabilities	(1,892,138)	(576,967)	(7,588,400)	(22,682,420)	(32,739,925)
Net position	181,425	49,078	645,485	5,351,611	6,227,599

As at 31 December 2013	Held for trading	Financial assets designated as at fair value through profit and loss	Available-for-sale financial assets	Advance to customers	Total
Carrying amount of transferred assets	898,220	600,363	7,458,620	2,214,850	11,172,053
Carrying amount of associated liabilities	(701,792)	(469,072)	(5,827,523)	(1,900,000)	(8,898,387)
Net position	196,428	131,291	1,631,097	314,850	2,273,666

Company

As at 31 December 2014	Held for trading	Financial assets designated as at fair value through profit and loss	Available-for-sale financial assets	Advance to customers	Total
Carrying amount of transferred assets	1,917,064	626,045	8,233,885	28,034,031	38,811,025
Carrying amount of associated liabilities	(1,766,778)	(576,967)	(7,588,400)	(22,682,420)	(32,614,565)
Net position	150,286	49,078	645,485	5,351,611	6,196,460

As at 31 December 2013	Held for trading	Financial assets designated as at fair value through profit and loss	Available-for-sale financial assets	Advance to customers	Total
Carrying amount of transferred assets	898,220	600,363	7,458,620	2,214,850	11,172,053
Carrying amount of associated liabilities	(701,792)	(469,072)	(5,827,523)	(1,900,000)	(8,898,387)
Net position	196,428	131,291	1,631,097	314,850	2,273,666



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

48. TRANSFERRED OF FINANCIAL ASSETS (Continued)

Repurchase agreements

The proceeds from selling certain debt securities and rights and interests in margin loans totalling RMB32,739.93 million (2013: RMB8,898.39 million) as at 31 December 2014 is presented as “financial assets sold under repurchase agreements”. As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these debt securities and margin loans to the counterparties during the covered period. However, the Group and the Company are not allowed to sell or repledge these debt securities and margin loans during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group and the Company have determined that it retains substantially all the risks and rewards of these debt securities and margin loans, and therefore have not derecognized these debt securities and margin loans in the consolidated financial statements but regarded them as “collateral” for the secured lending from the counterparties. Normally, the counterparties could only claim from the collateral when there is an event of default on the secured lending.

Securities lending arrangement

The Group and the Company entered into securities lending agreements with clients to lend out its equity securities and ETF classified as available-for-sale financial assets and financial assets designated as at fair value through profit or loss of carrying amount totalling RMB391.69 million (2013: RMB134.48 million) as at 31 December 2014, 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 ETF 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 and the Company at specified future dates and the maximum covered period is 180 days. The Group and the Company have determined that it retains substantially all the risks and rewards of these securities and therefore have not derecognized these securities in the consolidated financial statements.

49. OPERATING LEASE COMMITMENTS

Leases for the properties are negotiated with agreed rental charges. Lease terms for the properties range from 1 to 15 years.

At 31 December 2014 and 2013, the Group and the Company had total future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

The Group as lessee

	As at 31 December	
	2014	2013
Within 1 year	376,506	256,704
Beyond 1 year and not more than 2 years	328,354	198,366
Beyond 2 years and not more than 3 years	188,412	161,750
Beyond 3 years and not more than 5 years	220,668	208,260
More than 5 years	232,077	80,264
	1,346,017	905,344



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(Amounts in thousands of Renminbi, unless otherwise stated)

49. OPERATING LEASE COMMITMENTS (Continued)

The Company as lessee

	As at 31 December	
	2014	2013
Within 1 year	341,200	229,102
Beyond 1 year and not more than 2 years	299,278	185,704
Beyond 2 years and not more than 3 years	172,413	151,321
Beyond 3 years and not more than 5 years	215,163	201,766
More than 5 years	229,472	76,527
	1,257,526	844,420

The Group and the Company as lessor

At 31 December 2014 and 2013, the Group and the Company did not have material lease commitments as lessor.

50. CAPITAL COMMITMENTS

Group

	As at 31 December	
	2014	2013
Contracted but not provided for Leasehold improvements	16,032	4,500
Authorized but not contracted for Investments	20,000	–

Company

	As at 31 December	
	2014	2013
Contracted but not provided for Leasehold improvements	16,032	4,495
Authorized but not contracted for Investments	20,000	–



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51. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company paid/payable by the Group for each of the years ended 31 December 2014 and 2013 are set out below:

For the year ended 31 December 2014

Name	Fee	Salaries and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive Directors:					
Gu Weiguo	–	1,193	48	1,973	3,214
Wu Chengming	–	1,709	47	1,450	3,206
Non-executive Directors:					
Chen Youan	–	1,209	48	1,987	3,244
Li Chenghui ⁽¹⁾	–	–	–	–	–
Shi Xun ⁽¹⁾	–	–	–	–	–
Xu Guoping ⁽¹⁾	–	–	–	–	–
Qi Xiaoli	–	737	29	657	1,423
Independent Non-executive Directors:					
Liu Feng	290	10	–	–	300
Wang Shiding	260	10	–	–	270
Zhou Ruijin	240	10	–	–	250
Wu Yuwu	240	10	–	–	250
Supervisors:					
Yu Wenxiu	–	1,170	47	1,907	3,124
Zhong Cheng	–	693	50	671	1,414
Liu Zhiyi	–	683	77	788	1,548
Gu Shulin	–	755	29	626	1,410
Wu Huanliang	120	9	–	–	129
	1,150	8,198	375	10,059	19,782

⁽¹⁾ The emoluments of these non-executive directors of the Company were borne or partially borne by its shareholders and other related parties including Galaxy Financial Holdings, Central Huijin Investment Ltd. ("Central Huijin"), and China Galaxy Investment Management Company Limited during the year ended 31 December 2014. No allocation of the emoluments between these related parties and the Group has been made during the year ended 31 December 2014.



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(Amounts in thousands of Renminbi, unless otherwise stated)

51. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the year ended 31 December 2013

Name	Fee	Salaries and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive Directors:					
Gu Weiguo	–	628	47	973	1,648
Wu Chengming	–	1,702	45	1,292	3,039
Non-executive Directors:					
Chen Youan	–	670	47	1,003	1,720
Li Chenghui ⁽¹⁾	–	–	–	–	–
Shi Xun ⁽¹⁾	–	–	–	–	–
Xu Guoping ⁽¹⁾	–	–	–	–	–
Qi Xiaoli	–	717	34	553	1,304
Independent Non-executive Directors:					
Liu Feng	283	–	–	–	283
Wang Shiding	270	–	–	–	270
Zhou Ruijin ⁽²⁾	210	–	–	–	210
Wu Yuwu ⁽²⁾	210	–	–	–	210
Zhong Wei ⁽³⁾	–	–	–	–	–
Supervisors:					
Yu Wenxiu	–	615	45	863	1,523
Zhong Cheng	–	685	49	534	1,268
Liu Zhiyi ⁽⁴⁾	–	670	62	647	1,379
Gu Shulin	–	745	34	413	1,192
Wu Huanliang ⁽⁴⁾	80	–	–	–	80
	1,053	6,432	363	6,278	14,126

⁽¹⁾ The emoluments of these non-executive directors of the Company were borne or partially borne by its shareholders and other related parties including Galaxy Financial Holdings, Central Huijin, and China Galaxy Investment Management Company Limited during the year ended 31 December 2013. No allocation of the emoluments between these related parties and the Group has been made during the year ended 31 December 2013.

⁽²⁾ Appointed as independent non-executive director in January 2013.

⁽³⁾ Zhong Wei resigned as independent non-executive director in January 2013.

⁽⁴⁾ Appointed as supervisor in May 2013.



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(Amounts in thousands of Renminbi, unless otherwise stated)

51. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

The bonuses are discretionary and determined by reference to the Group's and the individuals' performance.

The total compensation packages for these directors and supervisors for the year ended 31 December 2013 and 2014 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed when determined.

For the years ended 31 December 2013 and 2014, no directors or supervisors of the Company waived any emoluments and 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.

52. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, none of them are directors or supervisors of the Company. Details of the emolument of the five highest paid employees during the reporting periods are as follows:

	Year ended 31 December	
	2014	2013
Basic salaries and allowances	3,287	8,028
Bonuses	39,227	10,838
Employer's contribution to pension schemes	371	451
	42,885	19,317

Bonuses are discretionary and determined by 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 year of 2013 and 2014.

The emoluments of the highest-paid individuals of the Group fall within the following bands:

	Year ended 31 December	
	2014 No. of employees	2013 No. of employees
Emolument bands		
– HKD4,500,001 to HKD5,000,000	–	4
– HKD5,000,001 to HKD5,500,000	–	1
– HKD9,000,001 to HKD9,500,000	2	–
– HKD9,500,001 to HKD10,000,000	1	–
– HKD12,000,001 to HKD12,500,000	1	–
– HKD13,000,001 to HKD13,500,000	1	–
	5	5



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53. RELATED PARTY TRANSACTIONS

(1) Immediate holding company

Galaxy Financial Holdings is a financial holding company approved by the State Council of the PRC and was established in Beijing on 8 August 2005. Galaxy Financial Holdings owned 5,217,743,240 shares (2013: 5,217,743,240 shares), representing 69.23% of the entire equity interest of the Company as at 31 December 2014 (2013: 69.23%). Galaxy Financial Holdings' shareholders are Central Huijin with 78.57% equity interest and the Ministry of Finance ("the MOF") with 21.43% equity interest.

Central Huijin is a wholly-owned subsidiary of China Investment Corporation Limited, and is incorporated in Beijing, PRC. Central Huijin was established to hold certain equity investments as authorized by the State Council and does not engage in other commercial activities. Central Huijin exercises legal rights and obligations in the Group on behalf of the PRC Government.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies.

During the years of 2014 and 2013, the Group provided securities brokerage and asset management services to Galaxy Financial Holdings and details of the significant transactions and balances are set out below.

	As at 31 December	
	2014	2013
Accounts payable to brokerage clients	2,759	11,442
Special dividends payable (note 17)	–	379,453

In addition to the above related party transactions, the Company provided asset management services to Galaxy Financial Holdings in accordance with an agreement signed in June 2013. As at 31 December 2014, the assets under investment management for Galaxy Financial Holdings amounted to approximately RMB50.53 million (2013: RMB50.30 million). For the year ended 31 December 2014, no asset management fee income was received (2013: RMB0.10 million) by the Company.



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(Amounts in thousands of Renminbi, unless otherwise stated)

53. RELATED PARTY TRANSACTIONS (Continued)

(2) Central Huijin

Central Huijin holds equity interests in a number of banks and non-bank financial institutions in the PRC that are accounted for as subsidiaries, associates and joint ventures (collectively referred to as the “Central Huijin Group”). The Group conducts transactions with Central Huijin Group under normal commercial terms. Such transactions mainly include deposits at banks, securities and futures dealing and broking, underwriting of equity and debt securities, and purchase and sale of equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group.

The Group's transactions with Central Huijin Group

	Year ended 31 December	
	2014	2013
Commission and fee income	11,361	10,087
Interest income from banks and non-bank financial institutions within the Central Huijin Group	550,792	635,561
Investment gains of equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group	28,332	5,801
Interest expenses to brokerage clients within the Central Huijin Group	13,671	9,064
Other operating expenses	1,554	–

The Group's balances with Central Huijin Group

	As at 31 December	
	2014	2013
Equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group classified as		
– available-for-sale financial assets	–	1,300
– financial assets held for trading	488,374	230,863
– financial assets designated as at fair value through profit or loss	14,615	157,982
Bank balances deposited with banks within the Central Huijin Group	30,617,616	20,490,084
Accounts payable to brokerage clients within the Central Huijin Group	8,195	49,527
Financial assets held under resale agreements	480,000	–

As at 31 December 2014, a non-bank financial institution within the Central Huijin Group invested in collective asset management plans issued by the Company with a fair value of RMB53.24 million (2013: RMB100.85 million).



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(Amounts in thousands of Renminbi, unless otherwise stated)

53. RELATED PARTY TRANSACTIONS (Continued)

(3) Government related entities

Other than disclosed above, a significant portion of the Group's transactions are entered into with government related entities including securities and futures dealing and broking, underwriting of debt securities, purchase and sales of government bonds, and equity and debt securities issued by other government related entities. These transactions are entered into under normal commercial terms and conditions. At the end of the reporting period, the Group holds such investments in equity and debt securities and has balances with these government related entities including accounts payable to brokerage clients.

Directors of the Company consider that transactions with government related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the counterparties are government related entities.

(4) Other related parties

Other related parties which have transactions with the Group are as follows:

Name	Relationship
銀河基金管理有限公司 Galaxy Fund Management Company Limited ("Galaxy Fund Management")*	fellow subsidiary
中国銀河投資管理有限公司 China Galaxy Investment Management Company Limited ("Galaxy Investment")*	Note
銀河資本資產管理有限公司 Galaxy Capital Assets Management Limited ("Galaxy Assets Management")*	fellow subsidiary

Note: Shareholders of Galaxy Investment are Galaxy Financial Holdings and the MOF. Their chairman of the board, Mr. Xu Guoping also serves as director and deputy general manager of Galaxy Financial Holdings and is a director of the Company.

* These subsidiaries do not have official English names.

The Group's transactions with other related parties

Commission and fee income

	Year ended 31 December	
	2014	2013
Galaxy Fund Management	8,350	2,395
Galaxy Assets Management	9,587	-



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53. RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties (Continued)

The Group's transactions with other related parties (Continued)

Other income

	Year ended 31 December	
	2014	2013
Galaxy Investment	1,693	1,834

Other operating expenses

	Year ended 31 December	
	2014	2013
Galaxy Investment	90,323	65,293

For the years ended 31 December 2014 and 2013, other operating expenses between the Group and Galaxy Investment solely related to the leasing of premises owned by Galaxy Investment.

The Group's balances with other related parties

Accounts payable to brokerage clients

	As at 31 December	
	2014	2013
Galaxy Investment	1,705	3,455



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53. RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties (Continued)

The Group's lease commitments with Galaxy Investment

	As at 31 December	
	2014	2013
The Group as lessee		
Within 1 year	90,035	8,604
Beyond 1 year and not more than 2 years	1,940	2,169
Beyond 2 years and not more than 3 years	–	534
	91,975	11,307

Collective asset management plans held by Galaxy Investment

In 2014, Galaxy Investment redeemed its investment in collective asset management plans issued by the Company. As at 31 December 2013, the said investment held by Galaxy Investment had a fair value of RMB8.65 million.

(5) Key management personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, including the directors, supervisors and senior management.

	Year ended 31 December	
	2014	2013
Salaries, allowances, bonuses, social welfare and annuity scheme contribution	47,414	40,924

Note: According to the regulations of the PRC relevant authorities, the key management personnel's final emoluments for the year ended 31 December 2014 have not been finalized. Management of the Group believes the difference in emoluments will not have significant impact on the consolidated financial statements as at 31 December 2014. The amount of actual remuneration will be disclosed when determined.



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54. SEGMENT REPORTING

Information reported to the chief operating decision maker (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 products sold and services provided by the Group, which is also consistent with the Group’s basis of organization, whereby the businesses are organized and managed separately as individual strategic business unit that offers different products and serves 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, 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) Securities brokerage: This segment engages in the provision of securities dealing and broking, margin financing to margin clients and securities lending;
- (b) Futures brokerage: This segment engages in futures dealing and broking, futures information consulting and training;
- (c) Proprietary trading and other securities trading services: This segment engages in trading of equities, bonds, funds, derivatives and other financial products for the Group;
- (d) Investment banking: This segment engages in the provision of corporate finance services including underwriting of equity and debt securities and financial advisory services to institutional clients;
- (e) Asset management: This segment engages in the provision of portfolio management and maintenance, investment advisory and transaction execution services;
- (f) Private equity investment: This segment makes direct equity investments in private companies and realizes capital gains by exiting from these private equity investments through initial public offerings or share sales, or receives dividends from these portfolio companies;
- (g) Overseas business: This segment mainly represents the business operations in securities brokerage, futures brokerage, securities research, investment banking, margin financing, money lending, asset management and insurance brokerage business that are carried out in Hong Kong; and
- (h) Others: This segment mainly represents head office operations, investment holding as well as interest income and interest expense arising from general working capital.

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 both years.

Segment profit or loss represents the profit earned or loss incurred by each segment without allocation of income tax expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Segment assets or liabilities are allocated to each segment, excluding deferred tax assets. Inter-segment balances mainly resulted from futures brokerage transaction carried out by futures brokerage segment for proprietary trading and other securities trading services segment and are eliminated upon consolidation. The segment result excludes income tax expense while the segment assets and liabilities include prepaid taxes and current tax liabilities respectively.



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54. SEGMENT REPORTING (Continued)

The Group operates in two principal geographical areas in the People's Republic of China, Mainland China and Hong Kong, representing the location of both income from external customers and assets of the Group. Segment revenue and all assets of the Group in respect of overseas business segment are attributable to operations in Hong Kong. Segment revenue and all assets of the Group except for the overseas business segment are attributable to operations in Mainland China. No single customer contributes more than 10% of the Group's income for the years ended 31 December 2014 and 2013.

The operating and reportable segment information provided to the CODM for the years ended 31 December 2014 and 2013 is as follows:

	Securities brokerage	Futures brokerage	Proprietary trading and other securities services	Investment banking	Asset management	Private equity investment	Overseas business	Others	Segment total	Eliminations	Consolidated total
For the year ended 31 December 2014											
Segment revenue and results											
Revenue											
- External	9,256,199	672,580	1,402,028	1,015,583	197,430	76,254	255,513	94,056	12,969,643	-	12,969,643
- Inter-segment	103,089	1,104	-	9,179	-	-	-	103,637	217,009	(217,009)	-
Other income and gains	32,378	9,924	-	880	-	3	245	3,487	46,917	-	46,917
Segment revenue and other income	9,391,666	683,608	1,402,028	1,025,642	197,430	76,257	255,758	201,180	13,233,569	(217,009)	13,016,560
Segment expenses	(5,256,767)	(498,117)	(671,368)	(737,701)	(158,853)	(55,908)	(206,038)	(542,225)	(8,126,977)	113,371	(8,013,606)
Segment result	4,134,899	185,491	730,660	287,941	38,577	20,349	49,720	(341,045)	5,106,592	(103,638)	5,002,954
Share of result of an associate	-	-	-	-	-	-	-	345	345	-	345
Profit/(loss) before income tax	4,134,899	185,491	730,660	287,941	38,577	20,349	49,720	(340,700)	5,106,937	(103,638)	5,003,299
As at 31 December 2014											
Segment assets and liabilities											
Segment assets	136,927,113	14,003,815	24,430,553	988,030	868,611	1,414,873	2,817,295	74,771,047	256,221,337	(76,543,280)	179,678,057
Deferred tax assets											347,650
Group's total assets											180,025,707
Segment liabilities	131,058,089	12,519,060	24,314,342	197,807	248,739	534,513	1,979,785	56,380,732	227,233,067	(76,543,280)	150,689,787
Other segment information											
Depreciation and amortization	129,256	13,837	1,074	1,576	2,417	78	5,830	33,172	187,240	-	187,240
Impairment losses	15,712	-	(291)	(5)	13,136	10,000	-	2,067	40,619	-	40,619
Additions to non-current assets	118,266	20,345	-	-	3,924	19	1,836	43,452	187,842	-	187,842



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(Amounts in thousands of Renminbi, unless otherwise stated)

54. SEGMENT REPORTING (Continued)

	Securities brokerage	Futures brokerage	Proprietary trading and other securities services	Investment banking	Asset management	Private equity investment	Overseas business	Others	Segment total	Eliminations	Consolidated total
For the year ended 31 December 2013											
Segment revenue and results											
Revenue											
- External	6,150,839	620,647	823,548	411,231	136,608	9,593	150,119	100,786	8,403,371	-	8,403,371
- Inter-segment	7,075	-	-	-	-	-	52,317	-	59,392	(59,392)	-
Other income and gains	15,999	2,591	-	-	-	-	98	4,170	22,858	-	22,858
Segment revenue and other income	6,173,913	623,238	823,548	411,231	136,608	9,593	202,534	104,956	8,485,621	(59,392)	8,426,229
Segment expenses	(3,275,299)	(422,804)	(443,632)	(288,726)	(56,503)	(176,881)	(159,353)	(717,552)	(5,540,750)	7,873	(5,532,877)
Segment result	2,898,614	200,434	379,916	122,505	80,105	(167,288)	43,181	(612,596)	2,944,871	(51,519)	2,893,352
Share of result of an associate	-	-	-	-	-	-	-	(334)	(334)	-	(334)
Profit/(loss) before income tax	2,898,614	200,434	379,916	122,505	80,105	(167,288)	43,181	(612,930)	2,944,537	(51,519)	2,893,018
As at 31 December 2013											
Segment assets and liabilities											
Segment assets	52,073,633	8,677,314	15,889,725	376,004	293,150	1,166,363	1,357,133	26,284,503	106,117,825	(28,141,661)	77,976,164
Deferred tax assets											308,204
Group's total assets											78,284,368
Segment liabilities	48,936,097	7,274,316	16,112,435	37,164	214,253	311,766	882,873	7,235,459	81,004,363	(28,141,661)	52,862,702
Other segment information											
Depreciation and amortization	189,612	9,670	1,695	1,872	1,617	697	6,143	7,487	218,793	-	218,793
Impairment losses	22,183	-	76	4,079	17,461	147,500	-	867	192,166	-	192,166
Additions to non-current assets	51,770	24,996	-	-	-	88	4,569	26,817	108,240	-	108,240



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL INSTRUMENTS

Categories of financial instruments

Group

	As at 31 December	
	2014	2013
Financial assets		
Loans and receivables	159,619,282	61,086,766
Available-for-sale financial assets	11,583,535	9,790,132
Financial assets held for trading	5,961,256	5,027,321
Financial assets designated as at fair value through profit or loss	1,360,847	942,506
Financial liabilities		
Financial liabilities at amortized cost	146,963,220	51,246,656
Financial liabilities at fair value	24,084	7,883

Company

	As at 31 December	
	2014	2013
Financial assets		
Loans and receivables	142,721,085	51,177,087
Available-for-sale financial assets	10,432,241	8,755,356
Financial assets held for trading	5,714,036	4,991,274
Financial assets designated as at fair value through profit or loss	1,290,847	942,506
Financial liabilities		
Financial liabilities at amortized cost	132,580,776	43,187,580
Financial liabilities at fair value	24,081	7,883



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56. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group offsets the following financial assets and financial liabilities when the Group currently has a legally enforceable right to set off the balances, and intends either to settle on a net basis, or to realize the balances simultaneously.

(a) Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements

As at 31 December 2014

Type of financial assets	Gross amounts		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
	Gross amounts of recognized financial assets	of recognized financial liabilities set off in the consolidated statement of financial position		Financial instruments	Cash collateral received	
Loans to margin clients ⁽¹⁾	1,103,100	(69,742)	1,033,358	(1,007,280)	–	26,078
Accounts receivable from clearing house ⁽²⁾	37,174	(11,721)	25,453	–	–	25,453
Total	1,140,274	(81,463)	1,058,811	(1,007,280)	–	51,531

As at 31 December 2013

Type of financial assets	Gross amounts		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
	Gross amounts of recognized financial assets	of recognized financial liabilities set off in the consolidated statement of financial position		Financial instruments	Cash collateral received	
Loans to margin clients ⁽¹⁾	784,025	(145,983)	638,042	(628,392)	–	9,650
Accounts receivable from clearing house ⁽²⁾	258,392	(235,070)	23,322	–	–	23,322
Total	1,042,417	(381,053)	661,364	(628,392)	–	32,972



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(Amounts in thousands of Renminbi, unless otherwise stated)

56. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

(b) Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

As at 31 December 2014						
Type of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets 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
				Financial instruments	Cash collateral pledged	
Accounts payable to						
– margin clients ⁽¹⁾	450,739	(69,742)	380,997	–	–	380,997
– clearing house ⁽²⁾	74,954	(11,721)	63,233	–	(9,410)	53,823
Total	525,693	(81,463)	444,230	–	(9,410)	434,820

As at 31 December 2013						
Type of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets 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
				Financial instruments	Cash collateral pledged	
Accounts payable to						
– margin clients ⁽¹⁾	289,746	(145,983)	143,763	–	–	143,763
– clearing house ⁽²⁾	258,712	(235,070)	23,642	–	(981)	22,661
Total	548,458	(381,053)	167,405	–	(981)	166,424



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

56. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

(b) Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements (Continued)

Notes:

- (1) Under the agreements signed between the Group and the customers, money obligations receivables and payables with the same customer are settled on net basis.
- (2) Under the agreement of Continuous Net Settlement made between the Group and clearing house, money obligations receivables and payables with clearing house on the same settlement date are settled on net basis.

The table below reconciles the “net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position”, as set out above, to the “Advances to customers” presented in the consolidated statement of financial position.

Financial Assets	As at 31 December	
	2014	2013
Net amount of loans to margin clients after offsetting as stated above	1,033,358	638,042
Loans to margin clients not in scope of offsetting disclosures	60,409,299	17,754,736
Total loans to margin clients	61,442,657	18,392,778



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT

Overview

The objective of the Group's and the Company's risk management is to achieve an appropriate balance between risk and return, and reduce the negative impact on the Group's and the Company's operating results and maximize shareholder value. The Group's and the Company's risk management strategy is to identify and analyze the various risks faced by the Group and the Company, establish appropriate risk tolerance, and reliably measure and monitor the risks on a timely and effective manner to ensure the risks are controlled within the tolerance level.

In daily operation, the Group and the Company are mainly exposed to credit risk, market risk and liquidity risk. The Group and the Company have established risk management policies and procedures to identify and analyze these risks, set appropriate risk indicators, risk limits, risk policies and internal control processes, and monitor and manage the risks continuously through its information system.

Risk management organizational structure

The corporate risk management structure includes the Board of Directors and its subordinate Risk Management Committee, the Board of Supervisors, the senior management and its subordinate Risk Management Department, the Legal and Compliance Department, the Audit Department and risk control officers and compliance managers at branches and business units, which are divided into three levels as follows:

The first level: the Board of Directors is the highest decision making body of the risk management structure and sets overall risk management and internal control strategies. The Board of Directors has established a Risk Management Committee, which is responsible for assisting the Board of Directors in formulating the Group's and the Company's risk management strategies, risk principles and risk regulations, and developing the Group's and the Company's risk tolerance and risk limits. The Board of Supervisors monitors whether the Board of Directors and the senior management have fulfilled the responsibility of risk management on a timely and effective manner.

The second level: the senior management is responsible for the implementation of risk management strategies, objectives and policies. The chief risk officer is in charge of overall risk management. The Risk Management Department, the Legal and Compliance Department and the Audit Department are responsible for monitoring, supervising and managing various risks.

The third level: the head of department or branch is in charge of its own department's or branch's risk management. Risk control officers and compliance managers are responsible for the daily risk management of the business operation under the guidance of the Risk Management Department.

Under the risk management structure, the Group and the Company continues to enhance their risk management, ensuring risks are measurable, controllable and acceptable.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (Continued)

57.1 Credit risk

Credit risk is the risk of loss due to failures or inability to fulfil obligations by counterparties, or the downgrade of credit rating of them. The Group's and the Company's credit exposure mainly relates to fixed income financial assets, financial assets under margin financing and securities lending arrangement and the Group's and the Company's securities and futures brokerage business. The Group's and the Company's financial assets exposed to credit risk mainly include advances to customers, accounts receivable, other financial assets, loan investment, available-for-sale financial assets, financial assets held under resale agreements, financial assets held for trading, financial assets designated as at fair value through profit or loss, deposits with exchanges and a non-bank financial institution, clearing settlement funds and bank balances.

Fixed income financial assets include bank balances, clearing settlement funds, loan investment and debt securities. Credit risk mainly includes counterparty risk and securities issuer's default risk.

Bank balances of the Group and the Company are mainly deposited in state-owned commercial banks or joint-stock commercial banks with good credit rating, and clearing settlement funds are deposited with the China Securities Depository and Clearing Corporation Limited (the "CSDCC"). Their exposure to credit risk is considered low.

For proprietary trading business, when the transactions are conducted through stock exchanges and the CSDCC, the counterparty default risk is considered low. For transactions conducted through the interbank market, counterparties are evaluated and only parties with good credit rating are authorized for trading.

In order to control the risk of its investment portfolio, the Group and the Company invest strictly in bonds with rating of AA- or above. Therefore, the Group and the Company consider the credit exposure of proprietary trading business is not significant.

Margin trading assets consist of advances to customers and securities lent to customers. The main credit risk of these financial assets is customers' failure to repay the principal, interests or securities lent to them. The Group and the Company monitor margin trading clients' accounts on an individual customer basis and call for additional margin deposits, cash collateral or securities when necessary. The advances to margin clients are monitored through their collateral ratios, which ensure the value of the pledged assets is sufficient to cover the advances. As at 31 December 2014 and 2013, the collateral ratios of all of the Group's and the Company's margin clients were above 130%, respectively, which indicated the collateral value was sufficient to cover the exposure to credit risk arising from margin trading.

The credit risk of the Group and the Company also arises from their securities and futures brokerage business. In the case of customers failing to deposit adequate funds, the Group and the Company may have to complete the trade settlement using their own funds. To mitigate the credit risk, the Group and the Company require cash deposit of full amounts for all transactions before they settle on behalf of customers. Through this, the Group and the Company can assure the credit risk is appropriately managed.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (Continued)

57.1 Credit risk (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 and the Company are as follows:

Group

	As at 31 December	
	2014	2013
Advances to customers	61,442,657	18,392,778
Accounts receivable	458,257	300,915
Other financial assets	941,556	720,878
Loan investment	250,000	90,000
Available-for-sale financial assets ⁽¹⁾	9,046,711	7,961,352
Including: Securities lent to customers	38,401	26,816
Financial assets held under resale agreements	7,404,825	1,283,838
Financial assets held for trading ⁽¹⁾	3,850,839	3,269,009
Financial assets designated as at fair value through profit or loss ⁽¹⁾	1,010,663	736,505
Including: Securities lent to customers	353,289	107,663
Derivative financial assets	–	2,281
Deposits with exchanges and a non-bank financial institution	6,050,015	2,840,742
Clearing settlement funds	31,260,370	4,373,917
Bank balances	51,811,602	33,083,698
	173,527,495	73,055,913



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (Continued)

57.1 Credit risk (Continued)

Company

	As at 31 December	
	2014	2013
Advances to customers	59,927,053	17,660,392
Accounts receivable	191,070	118,690
Other financial assets	806,893	656,472
Amounts due from subsidiaries	346,623	157,366
Available-for-sale financial assets ⁽¹⁾	9,046,711	7,961,352
Including: Securities lent to customers	38,401	26,816
Financial assets held under resale agreements	7,403,325	1,283,838
Financial assets held for trading ⁽¹⁾	3,633,642	3,269,009
Financial assets designated as at fair value through profit or loss ⁽¹⁾	1,010,663	736,505
Including: Securities lent to customers	353,289	107,663
Derivative financial assets	–	2,281
Deposits with exchanges and a non-bank financial institution	1,356,868	143,864
Clearing settlement funds	30,943,147	4,042,598
Bank balances	41,746,106	27,113,867
	156,412,101	63,146,234

⁽¹⁾ Financial assets held for trading contains only debt securities. Available-for-sale financial assets and financial assets designated as at fair value through profit or loss contain debt securities and equity securities lent to customers. Securities lent to customers are mainly equity securities, therefore listed above separately to show the credit risk exposure.

The concentration of credit risk is limited due to the counterparty and customer base being large and diversified.

57.2 Market risk

Market risk is the risk of loss arising from adverse change in fair value or movement in cash flows in respect of financial instruments, due to interest rate risk, currency risk or price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group and the Company utilize sensitivity analysis as the main tool of monitoring interest rate risk and measuring the impact to total profit and equity of a reasonable and possible change of interest rate, assuming all other variables were held constant. Debt securities of the Group and the Company mainly comprise corporate bonds, and the Group and the Company mitigate the interest rate risk through optimizing the duration and convexity of the bond portfolio. Interest rate risk in connection with cash held on behalf of customers in bank balances and clearing settlement funds is offset by the associated accounts payable to brokerage clients because their terms match with each other.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (Continued)

57.2 Market risk (Continued)

Interest rate risk (Continued)

The tables below summarize the Group's and the Company'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.

Group

As at 31 December 2014

	Less than 1 year	More than 1 but less than 3 years	More than 3 but less than 5 years	More than 5 years	Total
Financial assets					
Advances to customers	61,442,657	–	–	–	61,442,657
Loan investment	–	250,000	–	–	250,000
Available-for-sale debt securities	150,638	1,336,169	2,550,218	4,971,285	9,008,310
Financial assets held under resale agreements	7,315,173	89,652	–	–	7,404,825
Financial assets held for trading	1,060,040	864,696	582,651	1,343,452	3,850,839
Financial assets designated as at fair value through profit or loss	–	451,803	2,232	203,339	657,374
Clearing settlement funds	31,260,370	–	–	–	31,260,370
Bank balances	51,811,602	–	–	–	51,811,602
Subtotal	153,040,480	2,992,320	3,135,101	6,518,076	165,685,977
Financial liabilities					
Bonds payable	20,700,000	6,200,000	–	–	26,900,000
Due to banks and a non-bank financial institution	1,812,123	–	–	–	1,812,123
Short-term financing instrument payables	5,419,910	–	–	–	5,417,910
Accounts payable to brokerage clients	78,407,509	–	–	–	78,407,509
Financial assets sold under repurchase agreements	30,164,925	2,575,000	–	–	32,739,925
Subtotal	136,502,467	8,775,000	–	–	145,277,467
Net interest-bearing position	16,538,013	(5,782,680)	3,135,101	6,518,076	20,408,510



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (Continued)

57.2 Market risk (Continued)

Interest rate risk (Continued)

Group (Continued)

As at 31 December 2013

	Less than 1 year	More than 1 but less than 3 years	More than 3 but less than 5 years	More than 5 years	Total
Financial assets					
Advances to customers	18,392,778	–	–	–	18,392,778
Loan investment	90,000	–	–	–	90,000
Available-for-sale debt securities	247,480	358,169	2,234,526	5,094,361	7,934,536
Financial assets held under resale agreements	1,087,393	196,445	–	–	1,283,838
Financial assets held for trading	671,746	1,405,777	434,819	756,667	3,269,009
Financial assets designated as at fair value through profit or loss	–	187,723	416,662	24,457	628,842
Clearing settlement funds	4,373,917	–	–	–	4,373,917
Bank balances	33,083,698	–	–	–	33,083,698
Subtotal	57,947,012	2,148,114	3,086,007	5,875,485	69,056,618
Financial liabilities					
Bonds payable	4,000,000	–	–	–	4,000,000
Due to banks and a non-bank financial institution	592,687	–	–	–	592,687
Accounts payable to brokerage clients	36,451,282	–	–	–	36,451,282
Financial assets sold under repurchase agreements	8,898,387	–	–	–	8,898,387
Subtotal	49,942,356	–	–	–	49,942,356
Net interest-bearing position	8,004,656	2,148,114	3,086,007	5,875,485	19,114,262



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (Continued)

57.2 Market risk (Continued)

Interest rate risk (Continued)

Company

As at 31 December 2014

	Less than 1 year	More than 1 but less than 3 years	More than 3 but less than 5 years	More than 5 years	Total
Financial assets					
Advances to customers	59,927,053	–	–	–	59,927,053
Available-for-sale debt securities	150,638	1,336,169	2,550,218	4,971,285	9,008,310
Financial assets held under resale agreements	7,313,673	89,652	–	–	7,403,325
Financial assets held for trading	1,036,832	736,864	517,515	1,342,431	3,633,642
Financial assets designated as at fair value through profit or loss	–	451,803	2,232	203,339	657,374
Clearing settlement funds	30,943,147	–	–	–	30,943,147
Bank balances	41,746,106	–	–	–	41,746,106
Subtotal	141,117,449	2,614,488	3,069,965	6,517,055	153,318,957
Financial liabilities					
Bonds payable	20,700,000	6,200,000	–	–	26,900,000
Due to banks and a non-bank financial institution	1,000,000	–	–	–	1,000,000
Short-term financing instrument payables	5,417,910	–	–	–	5,417,910
Accounts payable to brokerage clients	66,093,265	–	–	–	66,093,265
Financial assets sold under repurchase agreements	30,039,565	2,575,000	–	–	32,614,565
Subtotal	123,250,740	8,775,000	–	–	132,025,740
Net interest-bearing position	17,866,709	(6,160,512)	3,069,965	6,517,055	21,293,217



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (Continued)

57.2 Market risk (Continued)

Interest rate risk (Continued)

Company (Continued)

As at 31 December 2013

	Less than 1 year	More than 1 but less than 3 years	More than 3 but less than 5 years	More than 5 years	Total
Financial assets					
Advances to customers	17,660,392	–	–	–	17,660,392
Available-for-sale debt securities	247,480	358,169	2,234,526	5,094,361	7,934,536
Financial assets held under resale agreements	1,087,393	196,445	–	–	1,283,838
Financial assets held for trading	671,746	1,405,777	434,819	756,667	3,269,009
Financial assets designated as at fair value through profit or loss	–	187,723	416,662	24,457	628,842
Clearing settlement funds	4,042,598	–	–	–	4,042,598
Bank balances	27,113,867	–	–	–	27,113,867
Subtotal	50,823,476	2,148,114	3,086,007	5,875,485	61,933,082
Financial liabilities					
Bonds payable	4,000,000	–	–	–	4,000,000
Due to banks and a non-bank financial institution	290,000	–	–	–	290,000
Accounts payable to brokerage clients	29,193,684	–	–	–	29,193,684
Financial assets sold under repurchase agreements	8,898,387	–	–	–	8,898,387
Subtotal	42,382,071	–	–	–	42,382,071
Net interest-bearing position	8,441,405	2,148,114	3,086,007	5,875,485	19,551,011



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (Continued)

57.2 Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing assets and liabilities. The analysis is prepared assuming interest-bearing assets and liabilities outstanding at the end of each reporting period were held to maturity. When reporting to the management on the interest rate risk, a 100 basis points increase or decrease in the relevant interest rates will be adopted for sensitivity analysis, assuming all other variables were held constant, which represents a reasonably possible change in interest rates. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax or vice versa.

Group

	Year ended 31 December	
	2014	2013
Profit before income tax for the year		
Increase by 100 basis points	(45,452)	(54,577)
Decrease by 100 basis points	45,452	54,577

	Year ended 31 December	
	2014	2013
Other comprehensive income before income tax		
Increase by 100 basis points	(364,518)	(340,232)
Decrease by 100 basis points	364,518	340,232

Company

	Year ended 31 December	
	2014	2013
Profit before income tax for the year		
Increase by 100 basis points	(38,809)	(52,393)
Decrease by 100 basis points	38,809	52,393

	Year ended 31 December	
	2014	2013
Other comprehensive income before income tax		
Increase by 100 basis points	(364,518)	(340,232)
Decrease by 100 basis points	364,518	340,232



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (Continued)

57.2 Market risk-continued

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Group's and the Company's currency risk primarily relates to the Group's and the Company's operating activities whose settlements and payments are denominated in foreign currencies which are different from the respective group entity's functional currency.

The foreign currency assets and liabilities held by the Group and the Company are not material compared to the total assets and liabilities. In terms of the Group's and the Company's revenue structure, a majority of the business transactions are denominated in RMB, and the proportion of foreign currency transactions is not significant to the Group and the Company. The Group and the Company consider that the currency risk of the Group's and the Company's operations is immaterial due to the relatively low proportion of the Group's and the Company's foreign currency denominated assets, liabilities, income and expense, as compared to the Group's and the Company's total assets, liabilities, income and expenses. Hence, no further analysis is presented.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's and the Company's price risk exposure mainly relates to investments in equity securities, funds, convertible bonds, derivatives and collective asset management plans whose values will fluctuate as a result of changes in market prices. Most of these investments of the Group and of the Company are in the capital markets in China. The Group and the Company are subject to increased market risk largely because the stock markets in the PRC are relatively volatile.

The Group's and the Company's price risk management policy requires setting and managing investment objectives. The directors of the Company manage price risk by holding an appropriately diversified investment portfolio, setting limits for investments in different securities and closely monitoring the portfolio of investments to reduce the risk of concentration in any one specific industry or issuer. The Group and the Company use derivatives contracts to economically hedge against the exposure arising from its investment portfolio.

Sensitivity analysis

The analysis below is performed 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 plans 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 or vice versa.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (Continued)

57.2 Market risk (Continued)

Price risk (Continued)

Sensitivity analysis (Continued)

Group

	Year ended 31 December	
	2014	2013
Profit before income tax for the year		
Increase by 10%	174,391	207,694
Decrease by 10%	(174,391)	(207,694)

	Year ended 31 December	
	2014	2013
Other comprehensive income before income tax		
Increase by 10%	160,088	142,239
Decrease by 10%	(160,088)	(142,239)

Company

	Year ended 31 December	
	2014	2013
Profit before income tax for the year		
Increase by 10%	171,394	204,090
Decrease by 10%	(171,394)	(204,090)

	Year ended 31 December	
	2014	2013
Other comprehensive income before income tax		
Increase by 10%	72,772	68,256
Decrease by 10%	(72,772)	(68,256)



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (Continued)

57.3 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting obligations associated with financial liabilities due to shortages of capital or funds. During the normal course of business, the Group and the Company may face liquidity risk caused by macroeconomic policy change, market fluctuation, poor operations, credit downgrades, mismatch of assets and liabilities, low turnover rate of assets, early redemption of exchange-quoted bond repurchase product by customers, large underwriting on a firm commitment basis, significant proprietary trading position, or high ratio of long-term investment. If the Group and the Company fail to address any liquidity risk by adjusting the asset structure or comply with regulatory requirements on the risk indicators, the Group and the Company could be penalized by the regulatory authority by imposing restrictions on the Group's and the Company's business operation, which would then cause adverse impact on the Group's and the Company's operation and reputation.

The Group and the Company centralized management and control over funds. Through early alert and management on the usage of large sums of money, the Group and the Company achieve the objective of centralized control and management of liquidity risk. After balancing among safety, liquidity and profitability, the Group and the Company adjust and allocate asset size and terms structure, so as to establish different levels of liquidity reserve system and achieve the objective of liquidity risk management through money market and capital market transactions in a timely manner.

The Group and the Company prepare funding plan of different terms and report its implementation progress to the management to reflect the status of liquidity risk management.

Undiscounted cash flows by contractual maturities

The tables below present the cash flows receivable and payable by the Group and the Company for non-derivative financial assets and liabilities by remaining contractual maturities at the end of each reporting period. 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 derived from interest rate at the end of each reporting period.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (Continued)

57.3 Liquidity risk (Continued)

Undiscounted cash flows by contractual maturities (Continued)

Group

As at 31 December 2014

	Undated	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
Financial assets								
Advances to customers	-	-	6,295,028	57,795,489	-	-	64,090,517	61,442,657
Accounts receivable	-	458,257	-	-	-	-	458,257	458,257
Other financial assets	-	51,566	-	-	-	-	51,566	51,566
Loan investment	-	-	7,500	22,500	262,500	-	292,500	250,000
Available-for-sale financial assets	596,072	-	1,198,713	1,191,605	5,699,493	6,069,659	14,755,542	11,583,535
Financial assets held under resale agreements	-	-	7,191,810	154,139	108,015	-	7,453,964	7,404,825
Financial assets held for trading	2,110,417	-	361,471	878,500	1,978,846	1,472,022	6,801,256	5,961,256
Financial assets designated as at fair value through profit or loss	633,473	-	-	80,685	277,688	246,601	1,238,447	1,360,847
Deposits with exchanges and a non-bank financial institution	-	5,050,015	1,002,033	-	-	-	6,052,048	6,050,015
Clearing settlement funds	-	31,260,370	-	-	-	-	31,260,370	31,260,370
Bank balances	-	42,511,658	6,109,219	3,459,987	-	-	52,080,864	51,811,602
Subtotal	3,339,962	79,331,866	22,165,774	63,582,905	8,326,542	7,788,282	184,535,331	177,634,930
Financial liabilities								
Bonds payable	-	-	1,370,850	20,885,800	6,559,100	-	28,815,750	26,900,000
Due to banks and a non-bank financial institution	-	-	812,966	1,029,322	-	-	1,842,288	1,812,123
Short-term financing instrument payables	-	-	3,977,486	1,512,433	-	-	5,489,919	5,417,910
Accounts payable to brokerage clients	-	78,407,509	-	-	-	-	78,407,509	78,407,509
Other financial liabilities	313,929	805,931	-	-	200,000	-	1,319,860	1,319,860
Derivative financial liabilities	24,084	-	-	-	-	-	24,084	24,084
Financial assets sold under repurchase agreements	-	-	14,452,243	16,616,877	2,840,074	-	33,909,194	32,739,925
Subtotal	338,013	79,213,440	20,613,545	40,044,432	9,599,174	-	149,808,604	146,621,411
Net position	3,001,949	118,426	1,552,229	23,538,473	(1,272,632)	7,788,282	34,726,727	31,013,519



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (Continued)

57.3 Liquidity risk (Continued)

Undiscounted cash flows by contractual maturities (Continued)

Group (Continued)

As at 31 December 2013

	Undated	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
Financial assets								
Advances to customers	-	-	5,404,027	13,737,400	-	-	19,141,427	18,392,778
Accounts receivable	-	300,915	-	-	-	-	300,915	300,915
Other financial assets	-	81,885	-	-	-	-	81,885	81,885
Loan investment	-	-	-	104,525	-	-	104,525	90,000
Available-for-sale financial assets	704,927	-	1,045,746	619,089	4,564,139	6,619,733	13,553,634	9,790,132
Financial assets held under resale agreements	-	-	486,234	682,408	227,326	-	1,395,968	1,283,838
Financial assets held for trading	1,758,312	-	156,863	286,086	2,616,569	1,114,409	5,932,239	5,027,321
Financial assets designated as at fair value through profit or loss	313,664	-	2,582	4,502	640,192	25,175	986,115	942,506
Derivative financial assets	2,281	-	-	-	-	-	2,281	2,281
Deposits with exchanges and a non-bank financial institution	-	2,840,742	-	-	-	-	2,840,742	2,840,742
Clearing settlement funds	-	4,373,917	-	-	-	-	4,373,917	4,373,917
Bank balances	-	28,479,842	2,406,509	2,561,360	-	-	33,447,711	33,083,698
Subtotal	2,779,184	36,077,301	9,501,961	17,995,370	8,048,226	7,759,317	82,161,359	76,210,013
Financial liabilities								
Bonds payable	-	-	-	4,236,000	-	-	4,236,000	4,000,000
Due to banks and a non-bank financial institution	-	-	593,390	-	-	-	593,390	592,687
Accounts payable to brokerage clients	-	36,451,282	-	-	-	-	36,451,282	36,451,282
Other financial liabilities	300,837	908,798	-	-	-	-	1,209,635	1,209,635
Derivative financial liabilities	7,883	-	-	-	-	-	7,883	7,883
Financial assets sold under repurchase agreements	-	-	7,149,186	1,850,800	-	-	8,999,986	8,898,387
Subtotal	308,720	37,360,080	7,742,576	6,086,800	-	-	51,498,176	51,159,874
Net position	2,470,464	(1,282,779)	1,759,385	11,908,570	8,048,226	7,759,317	30,663,183	25,050,139



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (Continued)

57.3 Liquidity risk (Continued)

Undiscounted cash flows by contractual maturities (Continued)

Company

As at 31 December 2014

	Undated	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
Financial assets								
Advances to customers	-	-	4,933,538	57,594,877	-	-	62,528,415	59,927,053
Accounts receivable	-	191,070	-	-	-	-	191,070	191,070
Other financial assets	-	30,729	-	-	-	-	30,729	30,729
Amounts due from subsidiaries	-	346,623	-	-	-	-	346,623	346,623
Available-for-sale financial assets	263,779	-	379,713	1,191,605	5,699,493	6,069,659	13,604,249	10,432,241
Financial assets held under resale agreements	-	-	7,189,910	154,139	108,015	-	7,452,064	7,403,325
Financial assets held for trading	2,080,394	-	357,612	860,643	1,750,168	1,470,815	6,519,632	5,714,036
Financial assets designated as at fair value through profit or loss	633,473	-	-	10,685	277,688	246,601	1,168,447	1,290,847
Deposits with exchanges and a non-bank financial institution	-	356,868	1,002,033	-	-	-	1,358,901	1,356,868
Clearing settlement funds	-	30,943,147	-	-	-	-	30,943,147	30,943,147
Bank balances	-	41,616,621	78,906	52,377	-	-	41,747,904	41,746,106
Subtotal	2,977,646	73,485,058	13,941,712	59,864,326	7,835,364	7,787,075	165,891,181	159,382,045
Financial liabilities								
Bonds payable	-	-	1,370,850	20,885,800	6,559,100	-	28,815,750	26,900,000
Due to banks and a non-bank financial institution	-	-	-	1,029,322	-	-	1,029,322	1,000,000
Short-term financing instrument payables	-	-	3,977,486	1,512,433	-	-	5,489,919	5,417,910
Accounts payable to brokerage clients	-	66,093,265	-	-	-	-	66,093,265	66,093,265
Other financial liabilities	-	179,142	-	-	-	-	179,142	179,142
Derivative financial liabilities	24,081	-	-	-	-	-	24,081	24,081
Financial assets sold under repurchase agreements	-	-	14,326,803	16,616,877	2,840,074	-	33,783,754	32,614,565
Subtotal	24,081	66,272,407	19,675,139	40,044,432	9,399,174	-	135,415,233	132,228,963
Net position	2,953,565	7,212,651	(5,733,427)	19,819,894	(1,563,810)	7,787,075	30,475,948	27,153,082



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (Continued)

57.3 Liquidity risk (Continued)

Undiscounted cash flows by contractual maturities (Continued)

Company (Continued)

As at 31 December 2013

	Undated	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
Financial assets								
Advances to customers	-	-	4,671,641	13,737,400	-	-	18,409,041	17,660,392
Accounts receivable	-	118,690	-	-	-	-	118,690	118,690
Other financial assets	-	62,010	-	-	-	-	62,010	62,010
Amounts due from subsidiaries	-	157,366	-	-	-	-	157,366	157,366
Available-for-sale financial assets	409,977	-	305,920	619,089	4,564,139	6,619,733	12,518,858	8,755,356
Financial assets held under resale agreements	-	-	486,234	682,408	227,326	-	1,395,968	1,283,838
Financial assets held for trading	1,722,265	-	156,863	286,086	2,616,569	1,114,409	5,896,192	4,991,274
Financial assets designated as at fair value through profit or loss	313,664	-	2,582	4,502	640,192	25,175	986,115	942,506
Derivative financial assets	2,281	-	-	-	-	-	2,281	2,281
Deposits with exchanges and a non-bank financial institution	-	143,864	-	-	-	-	143,864	143,864
Clearing settlement funds	-	4,042,598	-	-	-	-	4,042,598	4,042,598
Bank balances	-	26,800,061	215,045	104,845	-	-	27,119,951	27,113,867
Subtotal	2,448,187	31,324,589	5,838,285	15,434,330	8,048,226	7,759,317	70,852,934	65,274,042
Financial liabilities								
Bonds payable	-	-	-	4,236,000	-	-	4,236,000	4,000,000
Due to banks and a non-bank financial institution	-	-	290,297	-	-	-	290,297	290,000
Accounts payable to brokerage clients	-	29,193,684	-	-	-	-	29,193,684	29,193,684
Other financial liabilities	-	709,069	-	-	-	-	709,069	709,069
Derivative financial liabilities	7,883	-	-	-	-	-	7,883	7,883
Financial assets sold under repurchase agreements	-	-	7,149,186	1,850,800	-	-	8,999,986	8,898,387
Subtotal	7,883	29,902,753	7,439,483	6,086,800	-	-	43,436,919	43,099,023
Net position	2,440,304	1,421,836	(1,601,198)	9,347,530	8,048,226	7,759,317	27,416,015	22,175,019



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (Continued)

57.4 Capital management

The Group's and the Company's objectives of capital management are:

- To safeguard the Group's and the Company'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 and the Company'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 Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2008) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

1. The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
2. The ratio of net capital divided by net assets shall be no less than 40% ("Ratio 2");
3. The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 3");
4. The ratio of net assets divided by liabilities shall be no less than 20% ("Ratio 4");
5. The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 5"); and
6. The ratio of the value of fixed income securities held divided by net capital shall not exceed 500% ("Ratio 6").

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

As at 31 December 2014 and 2013, the Company maintained the above ratios as follows:

	As at 31 December	
	2014	2013
Net capital	25,462,313	20,481,446
Ratio 1	770.74%	908.99%
Ratio 2	88.43%	81.80%
Ratio 3	36.44%	133.37%
Ratio 4	41.21%	163.04%
Ratio 5	12.95%	12.73%
Ratio 6	57.27%	67.52%

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements under the PRC and Hong Kong regulatory requirements, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively. These subsidiaries comply with the capital requirements during the years ended 31 December 2014 and 2013.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

58. FAIR VALUE OF FINANCIAL INSTRUMENTS

58.1 Fair value of the Group's financial assets and financial liabilities that are not measured on a recurring basis

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis is estimated using discounted cash flow method.

The carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis approximate their fair values as at 31 December 2014 and 2013.

58.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting periods. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

58. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

58.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Group

Financial assets/financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)
	2014	2013		
Held-for-trading financial assets				
– Debt securities traded on stock exchanges	1,526,611	864,048	Level 1	• Quoted bid prices in an active market.
– Debt securities traded on interbank market	2,324,228	2,404,961	Level 2	• Discounted cash flows with future cash flows and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
– Equity securities and funds traded on stock exchanges and unlisted funds (open-ended mutual funds)	2,047,509	1,722,265	Level 1	• Quoted bid prices in an active market
– Equity securities listed on National Equities Exchange and Quotations	62,908	–	Level 2	• Recent transaction prices
Other investments like collective asset management plans	–	36,047	Level 2	• Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
Financial assets designated as at fair value through profit or loss				
– Debt securities traded on stock exchanges	657,374	628,842	Level 1	• Quoted bid prices in an active market.
– Equity securities and funds traded on stock exchanges	633,473	313,664	Level 1	• Quoted bid prices in an active market.
– Other investments like targeted asset management plans	70,000	–	Level 2	• Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
Available-for-sale financial asset				
– Debt securities traded on stock exchanges	8,645,522	7,522,057	Level 1	• Quoted bid prices in an active market.
– Debt securities traded on interbank market	362,788	412,479	Level 2	• Discounted cash flows with future cash flows that are estimated based amounts on contractual and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
– Equity securities and funds traded on stock exchanges	263,778	39,134	Level 1	• Quoted bid prices in an active market.
– Equity securities listed on National Equities Exchange and Quotations	20,539	–	Level 2	• Recent transaction prices



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

58. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

58.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Group (Continued)

Financial assets/financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)
	2014	2013		
Available-for-sale financial asset (Continued)				
- Equity securities traded on stock exchanges with a lock-up period (Note 1)	151,532	362,943	Level 3	<ul style="list-style-type: none"> The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.
- Other investments like collective asset management plans and wealth management products	1,165,027	995,023	Level 2	<ul style="list-style-type: none"> Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
- Other investments like targeted asset management plans (Note 1)	696,211	163,546	Level 3	<ul style="list-style-type: none"> Calculated based on the fair value of the underlying investments which invest in listed shares with a lock-up period in which the fair value is determined by reference to the quoted bid price of the underlying investments with an adjustment of discount for lack of marketability.
Derivative financial instruments				
- Equity return swaps-assets	-	2,281	Level 2	<ul style="list-style-type: none"> Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty.
- Equity return swaps-liabilities	(24,081)	(7,883)	Level 2	<ul style="list-style-type: none"> Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty.
- Stock index futures (Note 2)	(37,197)	821	Level 1	<ul style="list-style-type: none"> Quoted bid prices in an active market.
- Treasury bond futures (Note 2)	(1,624)	-	Level 1	<ul style="list-style-type: none"> Quoted bid prices in an active market.
- Options	(3)	-	Level 3	<ul style="list-style-type: none"> Calculated based on Black-Scholes option pricing model



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

58. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

58.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Group (Continued)

Notes:

1. The unobservable inputs to fair value is the discount rate for lack of marketability, determined by reference to the share price of listed entities in similar industries, ranging from 5.76% to 53.14% (31 December 2013: ranging from 29.94% to 44.95%). The higher the discount rate, the lower the fair value.
2. Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures and treasury bond futures were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 31 December 2014 and 2013. Accordingly, the net position of the stock index futures and treasury bond futures contracts was nil at the end of each reporting period. The above analysis only presents the fair value of derivative financial instruments.

Company

Financial assets/financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)
	2014	2013		
Held-for-trading financial assets				
- Debt securities traded on stock exchanges	1,309,414	864,048	Level 1	• Quoted bid prices in an active market.
- Debt securities traded on interbank market	2,324,228	2,404,961	Level 2	• Discounted cash flows with future cash flows and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
- Equity securities and funds traded on stock exchanges and unlisted funds (open-ended mutual funds)	2,017,486	1,594,981	Level 1	• Quoted bid prices in an active market
- Equity securities listed on National Equities Exchange and Quotations	62,908	-	Level 2	• Recent transaction prices.
Financial assets designated as at fair value through profit or loss				
- Debt securities traded on stock exchanges	657,374	628,842	Level 1	• Quoted bid prices in an active market.
- Equity securities and funds traded on stock exchanges	633,473	313,664	Level 1	• Quoted bid prices in an active market.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

58. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

58.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Company (Continued)

Financial assets/financial liabilities	Fair value as at 31 December 2014	2013	Fair value hierarchy	Valuation technique(s) and key input(s)
Available-for-sale financial asset				
- Debt securities traded on stock exchanges	8,645,522	7,522,057	Level 1	<ul style="list-style-type: none"> Quoted bid prices in an active market.
- Debt securities traded on interbank market	362,788	412,479	Level 2	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
- Equity securities traded on stock exchanges with a lock-up period (Note 1)	151,532	362,943	Level 3	<ul style="list-style-type: none"> The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.
- Equity securities and funds traded on stock exchanges	263,778	39,134	Level 1	<ul style="list-style-type: none"> Quoted bid prices in an active market.
- Other investments like collective asset management plans and wealth management products	312,410	255,197	Level 2	<ul style="list-style-type: none"> Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
- Other investments like targeted asset management plans (Note 1)	696,211	163,546	Level 3	<ul style="list-style-type: none"> Calculated based on the fair value of the underlying investments which invest in listed shares with a lock-up period in which the fair value is determined by reference to the quoted bid price of the underlying investments with an adjustment of discount for lack of marketability.
Derivative financial instruments				
- Equity return swaps-assets	-	2,281	Level 2	<ul style="list-style-type: none"> Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty.
- Equity return swaps-liabilities	(24,081)	(7,883)	Level 2	<ul style="list-style-type: none"> Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty.
- Stock index futures (Note 2)	(37,197)	821	Level 1	<ul style="list-style-type: none"> Quoted bid prices in an active market.
- Treasury bond futures (Note 2)	(1,624)	-	Level 1	<ul style="list-style-type: none"> Quoted bid prices in an active market.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

58. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

58.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Company (Continued)

Notes:

1. The unobservable inputs to fair value is the discount rate for lack of marketability, determined by reference to the share price of listed entities in similar industries, ranging from 5.76% to 53.14% (31 December 2013: ranging from 29.94% to 44.95%). The higher the discount rate, the lower the fair value.
2. Under the daily mark-to-market and settlement arrangement, any gains or losses of the Company's position in stock index futures and treasury bond futures were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 30 December 2014 and 2013. Accordingly, the net position of the stock index futures and treasury bond futures contracts was nil at the end of each reporting period. The above analysis only presents the fair value of derivative financial instruments.



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

58. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

58.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Group

	As at 31 Dec 2014			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
– Equity securities				
Financial services	46,434	–	–	46,434
Manufacturing	14,767	–	142,191	156,958
Construction	178,177	–	–	178,177
Mining	4,216	–	–	4,216
Real Estate	3,361	–	–	3,361
Transportation, storage and postal service	311	–	–	311
Others	4,924	20,539	9,341	34,804
– Debt securities				
Corporate bonds	8,404,682	300,304	–	8,704,986
Government bonds	240,840	62,484	–	303,324
– Funds				
ETF	6,666	–	–	6,666
Others	4,922	–	–	4,922
– Other investments				
Collective asset management plans	–	346,027	–	346,027
Wealth management products	–	819,000	–	819,000
Targeted asset management plans	–	–	696,211	696,211
	8,909,300	1,548,354	847,743	11,305,397
Financial assets held for trading				
– Equity securities				
Manufacturing	190,451	24,397	–	214,848
Financial services	198,880	–	–	198,880
Transportation, storage and postal service	13,753	–	–	13,753
Health and personal care	66,916	–	–	66,916
Mining	24,393	–	–	24,393
Construction	22,714	–	–	22,714
Real Estate	18,097	–	–	18,097
Others	64,665	38,511	–	103,176
– Debt securities				
Corporate bonds	1,526,611	1,101,276	–	2,627,887
Financial bonds	–	464,167	–	464,167
Government bonds	–	758,785	–	758,785
– Funds				
Money market fund	1,273,449	–	–	1,273,449
ETF	149,951	–	–	149,951
Others	24,240	–	–	24,240
– Other investments				
Collective asset management plans	–	–	–	–
	3,574,120	2,387,136	–	5,961,256



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

58. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

58.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Group (Continued)

	As at 31 Dec 2014			
	Level 1	Level 2	Level 3	Total
Financial assets designated as at fair value through profit or loss				
– Equity securities				
Financial services	172,867	–	–	172,867
Manufacturing	131,116	–	–	131,116
Mining	25,730	–	–	25,730
Real Estate	23,948	–	–	23,948
Transportation, storage and postal service	11,112	–	–	11,112
Construction	24,503	–	–	24,503
Others	42,523	–	–	42,523
– Debt securities				
Corporate bonds	431,066	–	–	431,066
Financial bonds	226,308	–	–	226,308
– Funds				
ETF	201,674	–	–	201,674
– Other investment				
Target asset management plan	–	70,000	–	70,000
	1,290,847	70,000	–	1,360,847
Derivative financial instruments				
– Equity return swaps-liabilities	–	(24,081)	–	(24,081)
– Treasury bond futures	(1,624)	–	–	(1,624)
– Stock index futures	(37,197)	–	–	(37,197)
– Options	–	–	(3)	(3)
	(38,821)	(24,081)	(3)	(62,905)



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

58. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

58.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Group (Continued)

	As at 31 Dec 2013			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
– Equity securities				
Financial services	10,696	–	–	10,696
Manufacturing	8,163	–	141,583	149,746
Construction	439	–	221,360	221,799
Others	8,152	–	–	8,152
– Debt securities				
Corporate bonds	7,466,011	412,479	–	7,878,490
Government bonds	56,046	–	–	56,046
– Funds	11,684	–	–	11,684
– Other investments				
Collective asset management plans	–	285,523	–	285,523
Wealth management products	–	709,500	–	709,500
Targeted asset management plans	–	–	163,546	163,546
	7,561,191	1,407,502	526,489	9,495,182
Financial assets held for trading				
– Equity securities				
Manufacturing	19,638	–	–	19,638
Financial services	30,876	–	–	30,876
Transportation, storage and postal service	586	–	–	586
Wholesale and retail	486	–	–	486
Mining	1,632	–	–	1,632
Construction	446	–	–	446
Real Estate	1,845	–	–	1,845
Social Services	64,842	–	–	64,842
Others	6,933	–	–	6,933
– Debt securities				
Corporate bonds	864,048	2,175,319	–	3,039,367
Financial bonds	–	229,642	–	229,642
– Funds				
Money market fund	1,400,000	–	–	1,400,000
ETF	193,413	–	–	193,413
Open-ended mutual fund	1,568	–	–	1,568
– Other investments				
Collective asset management plans	–	36,047	–	36,047
	2,586,313	2,441,008	–	5,027,321



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

58. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

58.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Group (Continued)

	As at 31 Dec 2013			Total
	Level 1	Level 2	Level 3	
Financial assets designated as at fair value through profit or loss				
– Equity securities				
Financial services	101,245	–	–	101,245
Manufacturing	96,230	–	–	96,230
Mining	19,533	–	–	19,533
Real Estate	14,142	–	–	14,142
Transportation, storage and postal service	7,373	–	–	7,373
Wholesale and retail	9,318	–	–	9,318
Others	35,679	–	–	35,679
– Debt securities				
Corporate bonds	484,009	–	–	484,009
Financial bonds	144,833	–	–	144,833
– Funds	30,144	–	–	30,144
	942,506	–	–	942,506
Derivative financial instruments				
– Equity return swaps-assets	–	2,281	–	2,281
– Equity return swaps-liabilities	–	(7,883)	–	(7,883)
– Stock index futures	821	–	–	821
	821	(5,602)	–	(4,781)



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

58. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

58.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Company

	As at 31 Dec 2014			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
– Equity securities				
Financial services	46,434	–	–	46,434
Manufacturing	14,767	–	142,191	156,958
Construction	178,177	–	–	178,177
Mining	4,216	–	–	4,216
Real Estate	3,361	–	–	3,361
Transportation, storage and postal service	311	–	–	311
Others	4,924	–	9,341	14,265
– Debt securities				
Corporate bonds	8,404,682	300,304	–	8,704,986
Government bonds	240,840	62,484	–	303,324
– Funds				
ETF	6,666	–	–	6,666
Others	4,922	–	–	4,922
– Other investments				
Collective asset management plans	–	312,410	–	312,410
Targeted asset management plans	–	–	696,211	696,211
	8,909,300	675,198	847,743	10,432,241
Financial assets held for trading				
– Equity securities				
Manufacturing	190,450	24,397	–	214,847
Financial services	198,881	–	–	198,881
Transportation, storage and postal service	13,753	–	–	13,753
Health and personal care	66,916	–	–	66,916
Mining	24,393	–	–	24,393
Construction	22,714	–	–	22,714
Real Estate	18,097	–	–	18,097
Others	64,665	38,511	–	103,176
– Debt securities				
Corporate bonds	1,309,414	1,101,276	–	2,410,690
Financial bonds	–	464,167	–	464,167
Government Bond	–	758,785	–	758,785
– Funds				
Money market fund	1,243,426	–	–	1,243,426
ETF	149,951	–	–	149,951
Others	24,240	–	–	24,240
	3,326,900	2,387,136	–	5,714,036



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

58. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

58.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Company (Continued)

	As at 31 Dec 2014			
	Level 1	Level 2	Level 3	Total
Financial assets designated as at fair value through profit or loss				
– Equity securities				
Financial services	172,867	–	–	172,867
Manufacturing	131,116	–	–	131,116
Mining	25,730	–	–	25,730
Real Estate	23,948	–	–	23,948
Transportation, storage and postal service	11,112	–	–	11,112
Construction	24,503	–	–	24,503
Others	42,523	–	–	42,523
– Debt securities				
Corporate bonds	431,066	–	–	431,066
Financial bonds	226,308	–	–	226,308
– Funds				
ETF	201,674	–	–	201,674
	1,290,847	–	–	1,290,847
Derivative financial instruments				
– Equity return swaps-liabilities	–	(24,081)	–	(24,081)
– Treasury bond futures	(1,624)	–	–	(1,624)
– Stock index futures	(37,197)	–	–	(37,197)
	(38,821)	(24,081)	–	(62,902)



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

58. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

58.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Company (Continued)

	As at 31 Dec 2013			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
– Equity securities				
Financial services	10,696	–	–	10,696
Manufacturing	8,163	–	141,583	149,746
Construction	439	–	221,360	221,799
Others	8,152	–	–	8,152
– Debt securities				
Corporate bonds	7,466,011	412,479	–	7,878,490
Government bonds	56,046	–	–	56,046
– Funds	11,684	–	–	11,684
– Other investments				
Collective asset management plans	–	255,197	–	255,197
Targeted asset management plans	–	–	163,546	163,546
	7,561,191	667,676	526,489	8,755,356
Financial assets held for trading				
– Equity securities				
Manufacturing	19,638	–	–	19,638
Financial services	30,876	–	–	30,876
Transportation, storage and postal service	586	–	–	586
Wholesale and retail	486	–	–	486
Mining	1,632	–	–	1,632
Construction	446	–	–	446
Real Estate	1,845	–	–	1,845
Social Services	64,842	–	–	64,842
Others	6,933	–	–	6,933
– Debt securities				
Corporate bonds	864,048	2,175,319	–	3,039,367
Financial bonds	–	229,642	–	229,642
– Funds				
Money market fund	1,400,000	–	–	1,400,000
ETF	193,413	–	–	193,413
Open-ended mutual fund	1,568	–	–	1,568
	2,586,313	2,404,961	–	4,991,274



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

58. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

58.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Company (Continued)

	As at 31 Dec 2013			Total
	Level 1	Level 2	Level 3	
Financial assets designated as at fair value through profit or loss				
– Equity securities				
Financial services	101,245	–	–	101,245
Manufacturing	96,230	–	–	96,230
Mining	19,533	–	–	19,533
Real Estate	14,142	–	–	14,142
Transportation, storage and postal service	7,373	–	–	7,373
Wholesale and retail	9,318	–	–	9,318
Others	35,679	–	–	35,679
– Debt securities				
Corporate bonds	484,009	–	–	484,009
Financial bonds	144,833	–	–	144,833
– Funds	30,144	–	–	30,144
	942,506	–	–	942,506
Derivative financial instruments				
– Equity return swaps-assets	–	2,281	–	2,281
– Equity return swaps-liabilities	–	(7,883)	–	(7,883)
– Stock index futures	821	–	–	821
	821	(5,602)	–	(4,781)



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

58. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

58.3 Reconciliation of Level 3 fair value measurements

Group and Company

	Available-for-sale financial assets
At 1 January 2014	526,489
Total gains/losses	
– Profit or loss	–
– Other comprehensive income	267,184
Purchases	651,114
Transfers out (Note)	(597,044)
As at 31 December 2014	847,743
Total gains for the year	
– dividends included in profit or loss	45,275
– included in other comprehensive income	136,801

Group and Company

	Available-for-sale financial assets
At 1 January 2013	451,282
Total gains/losses	
– Profit or loss	–
– Other comprehensive income	139,528
– Purchases	502,415
Transfers out (Note)	(566,736)
As at 31 December 2013	526,489
Total gains for the year	
– dividends included in profit or loss	338
– included in other comprehensive income	24,074

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



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

58. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

58.3 Reconciliation of Level 3 fair value measurements (Continued)

Fair value measurements and valuation process

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages external valuers to perform the valuation. The Group works closely with the external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

59. MATURITY PROFILE OF ASSETS AND LIABILITIES

An analysis of the maturity profile of certain assets and liabilities of the Group as at 31 December 2014 and 2013 based on the remaining contractual maturity is as follows:

As at 31 December 2014	Repayable on demand	Less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
Assets					
Advances to customers	-	61,442,657	-	-	61,442,657
Loan investment	-	-	250,000	-	250,000
Financial assets held under resale agreements	-	7,315,173	89,652	-	7,404,825
Debt securities classified as:					
Available-for-sale financial assets	-	150,638	3,886,387	4,971,285	9,008,310
Financial assets held for trading	-	1,060,040	1,447,347	1,343,452	3,850,839
Financial assets designated as at fair value through profit or loss	-	-	454,035	203,339	657,374
Deposits with exchanges and a non-bank financial institution	5,050,015	1,000,000	-	-	6,050,015
Clearing settlement funds	31,260,370	-	-	-	31,260,370
Bank balances	50,934,621	876,981	-	-	51,811,602
	87,245,006	71,845,489	6,127,421	6,518,076	171,735,992
Liabilities					
Bonds payable	-	20,700,000	6,200,000	-	26,900,000
Due to banks and a non-bank financial institution	-	1,812,123	-	-	1,812,123
Short-term financing instrument payables	-	5,417,910	-	-	5,417,910
Accounts payable to brokerage clients	78,407,509	-	-	-	78,407,509
Financial assets sold under repurchase agreements	-	30,164,925	2,575,000	-	32,739,925
	78,407,509	58,094,958	8,775,000	-	145,277,467



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

59. MATURITY PROFILE OF ASSETS AND LIABILITIES (Continued)

As at 31 December 2013	Repayable on demand	Less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
Assets					
Advances to customers	–	18,392,778	–	–	18,392,778
Loan investment	–	90,000	–	–	90,000
Financial assets held under resale agreements	–	1,087,393	196,445	–	1,283,838
Debt securities classified as:					
Available-for-sale financial assets	–	1,205,949	2,743,191	5,136,065	9,085,205
Financial assets held for trading	–	258,390	2,073,585	937,034	3,269,009
Financial assets designated as at fair value through profit or loss	–	–	604,385	24,457	628,842
Deposits with exchanges and a non-bank financial institution	2,840,742	–	–	–	2,840,742
Clearing settlement funds	4,373,917	–	–	–	4,373,917
Bank balances	28,479,842	4,603,856	–	–	33,083,698
	35,694,501	25,638,366	5,617,606	6,097,556	73,048,029
Liabilities					
Bonds payable	–	4,000,000	–	–	4,000,000
Due to banks and a non-bank financial institution	–	592,687	–	–	592,687
Accounts payable to brokerage clients	36,451,282	–	–	–	36,451,282
Financial assets sold under repurchase agreements	–	8,898,387	–	–	8,898,387
	36,451,282	13,491,074	–	–	49,942,356



SECTION XII FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

60. EVENTS AFTER THE END OF THE REPORTING PERIOD

1. From January to March 2015, the Company completed the issuance of 2014 second tranche of 183-day short-term corporate bonds for a face value of RMB3.2 billion, 2014 third tranche of 1-year short-term corporate bonds for a face value of RMB2.63 billion and 2015 first tranche of 1-year short-term corporate bonds for a face value of RMB3.0 billion, with coupon rates of 5.0%, 5.02% and 5.4% respectively.
2. In January 2015, the Company completed the issuance of 2015 first tranche of subordinated bonds for a face value of RMB1.2 billion and 2015 second tranche of subordinated bonds for a face value of RMB2.8 billion, with coupon rates of 5.8% and 5.9% respectively. The term of both tranches is 2 years.
3. According to the “Reply letter in relation to the approval for the issue of corporate bonds by China Galaxy Securities Co., Ltd.” (CSRC Xu Ke [2014] No.884) issued by the CSRC on 20 August 2014, the Company obtained the approval to issue corporate bonds in an aggregate amount of not more than RMB5 billion. In February 2015, the Company completed the issuance of 2014 first tranche of corporate bonds for a face value of RMB1.5 billion for a term of 3 years and RMB1.0 billion for a term of 5 years, with coupon rates of 4.65% and 4.8% respectively.
4. Pursuant to a resolution passed at the 2015 first extraordinary general meeting of shareholders held on 26 March 2015, the Company approved the plan to issue not more than 2 billion H shares by way of private placement.
5. Pursuant to a resolution passed at the 2015 first extraordinary general meeting of shareholders held on 26 March 2015, the Company approved the proposal to extend the validity period of the A share offering plan and the issuance of short-term notes and corporate bonds.
6. In accordance with the 2014 profit distribution plan approved by the board of directors on 27 March 2015, the Company proposed cash dividends of RMB1.60 per 10 shares (inclusive of tax) based on a total of 7,537,258,757 shares in issue as of 31 December 2014, amounting to approximately RMB1,205.96 million in total, to holders of domestic shares and H shares who are registered in the Company’s register of members on the record date. The proposed profit distribution plan is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

Other than those disclosed above, there are no other significant events that need to be disclosed by the Group.

61. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year’s presentation.

