



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)

H Stock Code : 06881 A Stock Code : 601881

Annual Report **2016**





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DEFINITIONS

“A Share(s)”	domestic shares in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the SSE and traded 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 Stock Exchange 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), the A shares of which are listed on the SSE (Stock Code: 601881)
“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
“End of the Reporting Period”	31 December 2016
“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 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, which holds 50.91% of the issued share capital of the Company upon completion of A Shares IPO
“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 Limited”	China Galaxy Securities Limited Liability Company (中國銀河證券有限責任公司)
“Galaxy Jinhui”	Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金匯證券資產管理有限 公司), in which the Company holds an equity interest of 100%.
“Galaxy Yuanhui”	Galaxy Yuanhui Investment Co., Ltd. (銀河源匯投資有限公司), in which the Company holds an equity interest of 100%
“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
“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 Issuers set out in the Appendix 10 to the Stock Exchange 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 report, excluding Hong Kong, Macau Special Administrative Region and Taiwan region
“QDII”	Qualified Domestic Institutional Investor
“QFII”	Qualified Foreign Institutional Investor
“Reporting Period”	the period from 1 January 2016 to 31 December 2016
“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



DEFINITIONS

“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
“SSE Listing Rules”	the Rules Governing the Listing of Securities on the Shanghai Stock Exchange (as amended from time to time)
“Stock Exchange Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
“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.



SECTION I IMPORTANT NOTES

The Board of Directors, Supervisory Committee, Directors, Supervisors and senior management of the Company undertake that there is 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 23rd meeting (regular) of the 3rd session of the Board of Directors, with 10 directors attended and voted at the meeting. Mr. Luo Lin, an independent Director, was unable to attend the meeting and gave written authorization to Mr. Liu Feng, an independent Director, to act as his proxy to attend and vote at the meeting. No objection was put forward by Directors and Supervisors for this report.

The financial report for 2016 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 Gongyan (chairman) and Ms. Zhu Ruimin (chief financial officer) hereby confirm that the financial reports as disclosed in this 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. Business of the Company is highly dependent on the overall economy and market conditions of China and regions where our businesses are located. Any fluctuations in China and international capital markets will have a significant impact on the Company’s operating results.

The risks that the Company faces 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 in laws and regulations as well as the rules of regulatory bodies; strategic risks arising from the formulation of strategy plan under 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 in which the Company holds positions of securities; credit risks arising from breach of contracts by borrowers or counterparties; liquidity risk arising from shortage of funds when the Company attempts to fulfil its obligations of payment; and operational risk arising from the omission of the internal process management, the failure of the information system or the improper conduct of staff. In addition, the Company is also exposed to risks from international competition and fluctuations in exchange rate, etc.

The Company will work on its organizational structure, management system, 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 additional attention to monitoring risks arising from innovative businesses and products.



SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

I. COMPANY PROFILE

1. Name of the Company

Chinese Name: 中國銀河證券股份有限公司

Abbreviation of Chinese name: 中國銀河證券

English Name: China Galaxy Securities Co., Ltd.

Abbreviation of English name: CGS

2. Legal Representative: Chen Gongyan

General Manager (President): Gu Weiguo

3. Registered Capital: RMB9,537,258,757 (as at the End of the Reporting Period); RMB10,137,258,757 (Upon completion of IPO of A Shares)

Net Capital: RMB53,108,748,426.14 (as at the End of the Reporting Period)

4. Qualification of individual business

- (1) Qualification for warrant clearance business
- (2) Qualified warrant dealer
- (3) Qualified primary dealer for ETF
- (4) Qualification for open-ended securities investment funds agency sales business
- (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 as registered sponsor
- (10) Qualification for offering intermediary services for futures companies
- (11) Qualified inquirer and place for offline placements
- (12) Qualified block-trader of SZSE
- (13) Qualified block-trader of SSE
- (14) Qualified electronic trading platform for SSE for offline placements
- (15) Qualified electronic trading platform for SZSE for offline placements



SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

- (16) Primary Dealer at SSE
- (17) Qualified block-trader investor of SSE
- (18) Qualification for national inter-bank lending business
- (19) Qualification for pilot direct investment business
- (20) Qualification for margin financing and securities lending business
- (21) Qualification for stock-index futures trading business
- (22) Qualification for pilot securities-based lending business
- (23) Qualification for pilot dealer-quoted bond repurchase business
- (24) Member of the China Securities Association in fund evaluation
- (25) Qualification for offering comprehensive services for insurance institutional investors
- (26) Qualification for engagement in foreign securities investment and management businesses as QDII
- (27) Qualification for pilot business of private placement of bonds for small and medium-sized enterprises
- (28) Qualification for offering debt financing instruments for non-financial companies as a lead underwriter
- (29) Qualification for financial products agency sales business
- (30) Qualification for business engagement with special institutional clients of insurance institutions
- (31) Authorised for securities-based lending transactions (approved by the SZSE)
- (32) Qualification for equity swap services
- (33) Qualification for OTC trading
- (34) Qualification for pilot short selling business
- (35) Qualification for stock lending business under margin and securities refinancing
- (36) Qualification for pilot business engagement of comprehensive custodian services for private fund
- (37) Qualified for chief agency broker in national share transfer system
- (38) Qualification for in interest swap business
- (39) Authorised for dealer-quoted securities repurchase business transactions (approved by the SSE)
- (40) Authorised for dealer-quoted securities repurchase transactions (approved by the SZSE)



SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

- (41) Authorised for dealer-quoted repurchase transactions
- (42) Qualification for digital certificate authentication agency business
- (43) Qualification for engagement in relevant businesses at Zhejiang Equities Exchange Centre
- (44) Qualification for pilot margin and securities refinancing business
- (45) Qualification for pilot securities-based repurchase transactions business (approved by the SSE)
- (46) Qualification for pilot consumption payment service for clients with securities funds
- (47) Qualification of concurrent-business insurance agency
- (48) Qualification for pilot Internet securities business
- (49) Qualification for participation in simulated options trading by proprietary trading business (Approved by SSE)
- (50) Qualification for pilot OTC income certificates business
- (51) Qualification for securities investment fund custodian
- (52) Qualification for market making business for nationwide shares transfer system
- (53) Authorised for Hong Kong Stock Connect business transactions
- (54) Qualification for gold spot contract agency business
- (55) Membership of Shanghai Gold Exchange
- (56) Qualified of participant of quotation and service system for inter-institutional private equity products
- (57) Qualified of stock options trading participant of the SSE
- (58) Qualification for options clearing business
- (59) Innovative scheme for account opening through WeChat
- (60) Qualification for engagement of debt financing instruments quotation business for non-financial corporations
- (61) Membership of Asset Management Association of China
- (62) Membership of China Futures Association
- (63) Membership of Insurance Asset Management Association of China
- (64) Filing qualification as outsourced services provider for private investment funds
- (65) Authorised for Hong Kong Stock Connect business transactions under the Shenzhen-Hong Kong Stock Connect
- (66) Qualification for sales of precious metal products



SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

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 : 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, Mok Ming Wai

9. Authorized Representatives

Wu Chengming, Mok Ming Wai

10. Listing of H shares: HKEX

Stock Code: 6881 Stock Name: CGS

11. Listing of A shares: SSE

Stock Code: 601881 Stock Name: CGS

12. Disclosure of Information and Place for Inspection for A Shares

Name of media designated for information disclosure: China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily

Website designated by the CSRC for publishing annual reports: <http://www.sse.com.cn>

Location designated for maintaining the Company's Annual Report: Tower C, Corporate Square, 35 Finance Street, Xicheng District, Beijing

13. Website for Disclosure of Information for H Shares

<http://www.hkexnews.hk>



SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

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 Company Limited (中國銀河證券有限責任公司) 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 having approved pursuant to the 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 approvals from CSRC, China Galaxy Securities Co., Ltd. acquired the securities brokerage business, investment banking business and related assets from China Galaxy Securities Company Limited. 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 Business Commencement of China Galaxy Securities Co., Ltd. (CSRC Ji Gou Zi [2006] No. 322) issued by CSRC. China Galaxy Securities Company Limited was 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 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 the change of equity rights according to related requirements.

In 2011, Beijing Qingyuan Defeng Venture Capital Co., Ltd. transferred 2 million 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), and the Company completed relevant procedures concerning the change of equity interest according to related requirements in respect of the captioned transfer.

In 2012, Galaxy Financial Holdings transferred the economic interests attributable to an aggregate of 628.878017 million 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 the changes of equity rights according to related requirements.

The Company successfully listed its H shares on the Hong Kong Stock Exchange on 22 May 2013. Following 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 HKD8,147 million. The registered capital of the Company was increased to RMB7,537 million.

On 5 May 2015, the Company placed an aggregate of 2,000,000,000 H shares and the total issued share capital of the Company was increased to RMB9,537 million.

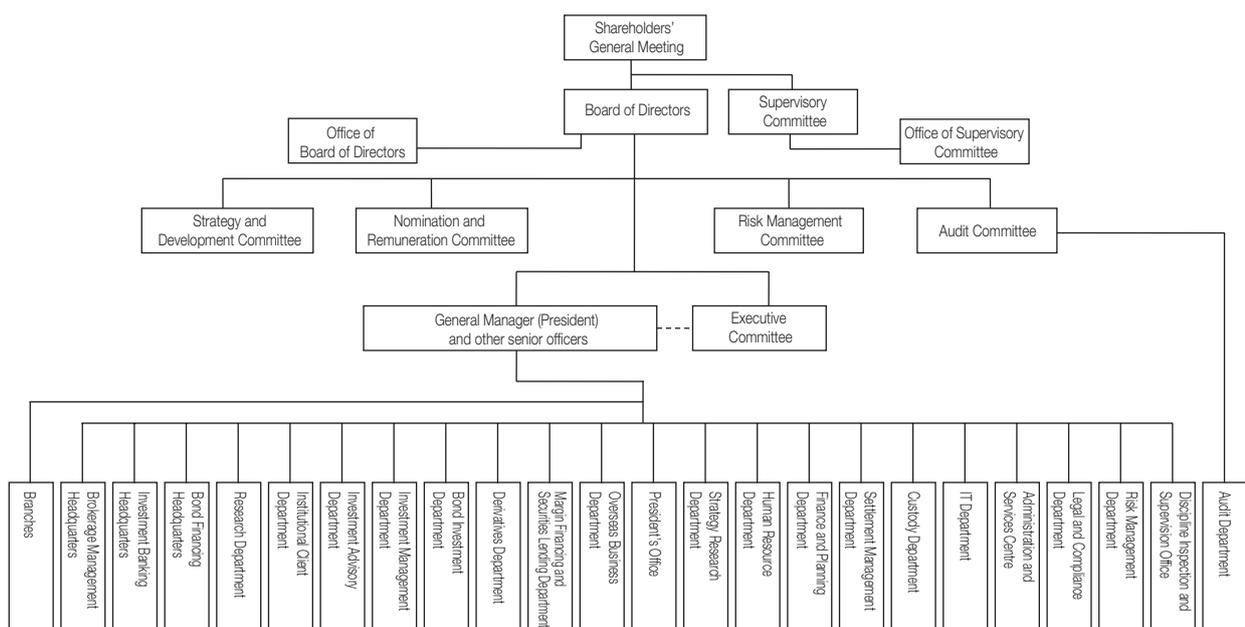
In January 2017, the Company conducted an initial public offering of 600,000,000 A Shares, which became listed on the SSE on 23 January 2017. The Company’s registered capital was increased to RMB10,137 million.



SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

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 the Article of Associations, the Company regulates its operations and constantly improves the operational and governance system for its general meeting, the Board of Directors, the Supervisory Committee and the management operations. The Company has established standardized and scientific governance structure, and set up an organizational structure that meets its development needs. The organizational structure of the Company is set out as follows:





SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

IV NUMBERS AND DISTRIBUTION OF SECURITIES BRANCHES

The Company has 360 securities branches located across in 31 provinces, autonomous regions and municipalities directly under the central government in the PRC. Among these branches, 66 are located in Guangdong Province, 48 in Zhejiang Province, 33 in Shanghai, 19 in Jiangsu Province, 17 in Shanxi Province, 17 in Beijing, 15 in Liaoning Province, 14 in Hubei Province, 14 in Shandong Province, 12 in Sichuan Province, 12 in Fujian Province, 10 in Anhui Province, 9 in Chongqing, 8 in Hebei Province, 8 in Henan Province, 8 in Yunan Province, 6 in Jiangxi Province, 5 in Hunan Province, 5 in Shaanxi Province, 5 in Guangxi Zhuang Autonomous Region, 4 in Tianjin, 4 in Heilongjiang Province, 3 in Qinghai Province, 3 in Inner Mongolia Autonomous Region, 3 in Jilin Province, 3 in Xinjiang Uygur Autonomous Region, 2 in Gansu Province, 2 in Hainan Province, 2 in Guizhou Province, 2 in Ningxia Hui Autonomous Region and 1 in Tibet Autonomous Region. Details of the securities branches of the Company are set out in Appendix.

V. SUBSIDIARIES AND BRANCHES

(i) As at the End of the Reporting Period, the Company has 5 subsidiaries.

Name	Registered Address	Date of incorporation	Registered Capital	Legal Representative/ person in charge	Percentage of shareholding	Telephone
Galaxy Futures	Unit 1302, 13/F, Block 1, No. 16 Chaowai Street, Chaoyang District, Beijing	25 December 2006	RMB 1.2 billion	Yao Guang	83.32%	010-68569588
Galaxy Capital	2/F, Tower C, 1st Building, No. 35 Finance Avenue, Xicheng District, Beijing	21 October 2009	RMB 1 billion	You Chun	100%	010-66067785
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
Galaxy Jinhui	Room 201, Block A, No.1, Qianwan Road 1, Liyumen Street, Qianhai Shenzhen – Hong Kong Cooperative District, Shenzhen (Shenzhen Qianhai Commerce Secretariat Co., Ltd.)	25 April 2014	RMB 500 million	Yin Yanwu	100%	010-83571302
Galaxy Yuanhui	Room 2403, 24/F, 99 Fucheng Road, China (Shanghai) Pilot Free Trade Zone	10 December 2015	RMB 350 million	Chen Jing	100%	021-60751758

Note: In 10 February 2017 the legal representative of Galaxy Futures changed to Yang Qing from Yao Guang.



SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

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

Branches	Address	Person In Charge	Date of incorporation shown on business license	First date of obtaining licence	Working Capital (RMB)	Telephone
Beijing Branch	5/F, No. 111 Tai Ping Qiao Avenue, Xicheng District, Beijing	Zhao Hongliang	26 July 2011	22 November 2011	5 million	010-58872713
Guangdong Branch	Unit 01-03, 25/F, North Tower, No. 988, Guangzhou Avenue Central, Tianhe District, Guangzhou	Chen Zhihui	22 July 2011	22 November 2011	5 million	0760-88361776
Hunan Branch	No. 275, Section 2, Middle Furong Road, Yuhua District, Changsha	Deng Likang	23 August 2011	29 November 2011	5 million	0731-85503740
Shanghai Branch	Unit 04, 24/F, No. 99, Fucheng Road, Pudong New District, Shanghai	Jiang Yuesheng	29 July 2011	29 November 2011	5 million	021-20252659
Zhejiang Branch	Building 3, Fanhai International Center, Jianggan District, Hangzhou	Song Xiaojun	15 July 2011	15 December 2011	5 million	0571-87048157
Shenzhen Branch	Unit 4301-02, Tower A, Jingji 100 Building, No. 5016 Shennan East Road, Luohu District, Shenzhen	Zhang Qinghua	21 June 2011	29 November 2011	5 million	0755-82033335
Tianjin Branch	Room 601-8, No. 3 Kaihua Road, Huayuan Industry Area, Tianjin	Zhong Jihong	11 March 2013	3 May 2013	5 million	022-83830348
Henan Branch	No.168 Jiankang Road, Zhengzhou, Henan Province	Wang Jiangbo	4 March 2013	3 May 2013	5 million	0371-63969218
Qinghai Branch	No.106-26, Changjiang Road, Chengzhong District, Xining	Feng Qing	11 March 2013	3 May 2013	5 million	0971-8261669
Ningbo Branch	7/F, No. 6 Daqing South Road, Jiangbei District, Ningbo	Teng Kezhi	12 March 2013	3 May 2013	5 million	0574-87681167
Shanxi Branch	4/F, West Wing, Yingxi Building, No. 53 Yingze West Avenue, Wanbolin District, Taiyuan	Zhao Songlin	14 March 2013	3 May 2013	5 million	0351-8611197
Yunnan Branch	9/F, Shuncheng East Tower Building, No.11 Dongfeng West Road, Wuhua District, Kunming, Yunan	Wei Yuhong	13 March 2013	3 May 2013	5 million	0871-63645475
Dalian Branch	B, C&D, 5/F, East Tower, No. 620 Huanghe Road, Shahekou District, Dalian	Guo Qing	13 March 2013	3 May 2013	5 million	0411-84313089
Jiangsu Branch	Room 304, 3/F, Fuxin International Building, No. 359 Hongwu Road, Nanjing	Wang Desheng	13 March 2013	3 May 2013	5 million	025-86507045



SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

Branches	Address	Person In Charge	Date of incorporation shown on business license	First date of obtaining licence	Working Capital (RMB)	Telephone
Jilin Branch	Nanhu Road Comprehensive Building, No. 1999 Nanhu Road, Nangan District, Changchun	Zhao Yubo	19 March 2013	3 May 2013	5 million	0431-82707737
Inner Mongolia Branch	Huamenshijia, 78 East Xinhua Street, Saihan District, Hohhot, Inner Mongolia	Yao Jianxun	15 March 2013	3 May 2013	5 million	0471-4955414
Chongqing Branch	15/F, No. 101 Minzu Road, Yuzhong District, Chongqing	Cao Yi	18 March 2013	3 May 2013	5 million	023-88128880
Hubei Branch	Room One, 2/F, West Wing, New Times Business Center, No. 456 Wuluo Road, Wuchang District, Wuhan	Luo Xuekui	12 March 2013	3 May 2013	5 million	027-87841733
Hebei Branch	No. 98 Hongqi Avenue, Zhuangqiaoxi District, Shijiazhuang	Zhao Yongwei	20 March 2013	18 April 2013	5 million	0311-83038259
Xiamen Branch	West Wing, 2/F, No.18, Meirenxincun, Siming District, Xiamen	Zhou Lianyuan	21 March 2013	3 May 2013	5 million	0592-2224473
Heilongjiang Branch	5/F, No. 252, Zhongshan Road, Nangang District, Harbin	Li Naichen	25 March 2013	3 May 2013	5 million	0451-53905558
Liaoning Branch	Unit 17-3, No. 59 Beizhan Road, Shenhe District, Shenyang	Yuanbing	27 March 2013	3 May 2013	5 million	024-23250200
Anhui Branch	No. 57 Changjiang Middle Road, Luyang District, Hefei	Cheng Lesan	22 March 2013	3 May 2013	5 million	0551-62609271
Sichuan Branch	Room 401, 4/F, 1st Building, No. 9 Jianshe Road, Chenghua District, Chengdu	Zhang Zhiqiang	21 March 2013	3 May 2013	5 million	028-81148165
Shandong Branch	No. 175 Xinanhe Road, Zhifu District, Yantai	Zhang Huasheng	29 March 2013	3 May 2013	5 million	0535-6620358
Fujian Branch	No.1 Shop, 2/F, 1st Building, Fuzhou Jiyou Plaza, No. 39 Fuma Road, Shuibu Subdistrict, Gulou District, Fuzhou	Huang Feilong	2 April 2013	3 May 2013	5 million	0591-88086506
Jiangxi Branch	6/F, No. 203 East Guangchang Road, Nanchang	Yu Genping	2 April 2013	3 May 2013	5 million	0791-86283972
Qingdao Branch	No. 100E, Nanjing Road, Shinan District, Qingdao	Liu Xiaoyong	15 April 2013	3 May 2013	5 million	0532-82962152



SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

Branches	Address	Person In Charge	Date of incorporation shown on business license	First date of obtaining licence	Working Capital (RMB)	Telephone
Shaanxi Branch	2/F, Commercial Building of China Railway Group, No. 51, East Youyi Road, Beilin District, Xi'an	Liu Yuenian	24 April 2013	15 May 2013	5 million	029-87884455
Xinjiang Branch	No. 90, Jiankang Road, Jiefang North Road, Tianshan District, Urumqi, Xinjiang	Kong Lingguo	15 May 2014	9 June 2014	5 million	0991-2352257
Hainan Branch	13/F, Qiongtai Building, No. 83 Binhai Avenue, Longhua District, Haikou, Hainan Province	Wen Yongchun	7 May 2014	28 May 2014	5 million	0898-68500695
Gansu Branch	Room 308, 3/F, Bi Ke Xin Building, No. 77 Qingyang Road, Chengguan District, Lanzhou, Gansu Province	Ning Zhiyong	8 May 2014	28 May 2014	5 million	0931-8860651
Ningxia Branch	No. 126, Jiefang West Street, Xingqing District, Yinchuan, Ningxia	Chen Shining	29 April 2014	28 May 2014	5 million	0951-5051939
Guizhou Branch	A58, Semi-1/F, D348, 1/F, Block B, Jinyang Gantu Center Plaza, Guan Shan Hu District, Guiyang	Luo Wei	22 May 2014	9 June 2014	5 million	0851-87973559
Guangxi Branch	3/F, No. 12-2, Yuanhu South Road, Qing Xiu District, Nanning	Wang Dongrong	14 May 2014	5 June 2014	5 million	0771-2262718
Tibet Branch	No. 2, Chaoyang Road, Taiyang Island, Chengguan District, Lhasa, Tibet Autonomous Region	Li Zexiao	15 May 2014	9 June 2014	5 million	0891-6343149



SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

VI. OTHER RELATED INFORMATION

Accounting firm engaged by the Company (domestic)	Name: Office address: Names of signing accountant:	Deloitte Touche Tohmatsu Certified Public Accountants LLP 8/F, Tower W2, Oriental Plaza, 1 East Chang An Avenue, Beijing 100738 Man Kai Sze, Ma Qiang
Accounting firm engaged by the Company (overseas)	Name: Office address: Names of signing accountant:	Deloitte Touche Tohmatsu 35/F, Pacific Place I, 88 Queensway, Hong Kong Man Kai Sze
Sponsor performing continuous monitoring and guidance duties	Name: Office address: Name of signing Sponsor representative: Period of continuous monitoring and guidance:	CITIC Securities Company Limited North Bock, Excellence Times plaza (Phase 2), 8 Zhongxin Third Road, Futian District, Shenzhen, Guangdong Province Liang Zongbao, Wu Hao From 23 January 2017 to 31 December 2019
Sponsor performing continuous monitoring and guidance duties	Name: Office address: Name of signing Sponsor representative: Period of continuous monitoring and guidance:	CITIC Investment Securities Co., Ltd. 188 Chaonei Avenue, Dongcheng District, Beijing Lv Xiaofeng, Zhuang Yunzhi From 23 January 2017 to 31 December 2019

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

(i) Major Accounting Data and Financial Indicators for the Past Five Years

Profit status (RMB'000)	2016	2015	2016	2014	2013	2012
			(compared with 2015) increase/ decrease			
Revenue and other income	18,403,114	33,759,274	-45.49%	13,016,560	8,426,229	5,961,560
Total expenses	11,826,483	20,625,303	-42.66%	8,013,606	5,532,877	4,075,247
Profit before income tax	6,576,631	13,133,971	-49.93%	5,003,299	2,893,018	1,886,313
Profit for the year-attributable to owners of the Company	5,153,546	9,835,510	-47.60%	3,770,728	2,135,247	1,419,779
Cash flows from (used in) operating activities	16,341,967	-30,317,049	Not applicable	-21,905,946	-7,936,462	3,183,705

Asset status (RMB'000)	2016/12/31	2015/12/31	2016/12/31	2014/12/31	2013/12/31	2012/12/31
			(compared with 2015/12/31) increase/ decrease			
Total assets	245,880,520	300,655,551	-18.22%	180,025,707	78,284,368	64,295,585
Total liabilities	187,526,621	243,406,135	-22.96%	150,689,787	52,862,701	46,736,737
Accounts payable to brokerage clients	90,404,209	117,992,209	-23.38%	78,407,509	36,451,282	39,745,629
Equity attributable to owners of the Company	57,988,546	56,913,566	1.89%	29,023,797	25,174,829	17,429,859
Total share capital (in thousand shares)	9,537,259	9,537,259	0.00%	7,537,259	7,537,259	6,000,000

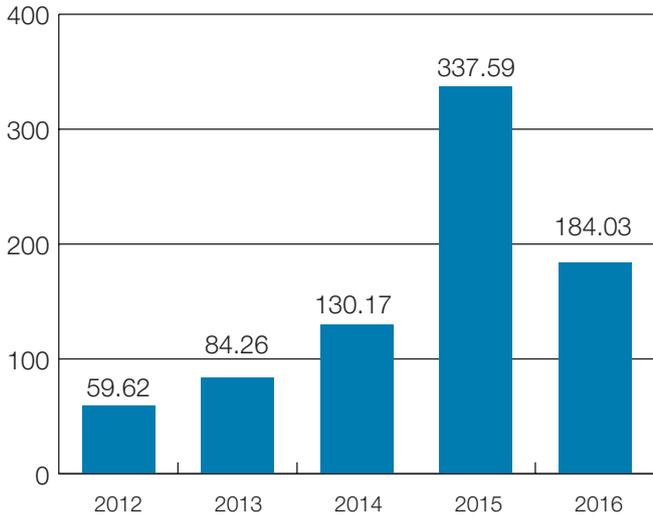
Key Financial Indicators	2016	2015	2014	2013	2012
Basic earnings per share (RMB/share)	0.54	1.11	0.50	0.31	0.24
Diluted earnings per share (RMB/share)	Not applicable	Not applicable	Not applicable	0.31	Not applicable
Return on net assets (weighted average)	8.97%	21.33%	13.91%	9.69%	8.49%
Gearing ratio ¹	62.47%	68.66%	71.13%	39.23%	28.48%
Net assets attributable to owners of the Company (RMB/share)	6.08	5.97	3.85	3.34	2.90

¹ Gearing ratio = (Total liabilities – Accounts payable to brokerage clients) / (Total assets – Accounts payable to brokerage clients)

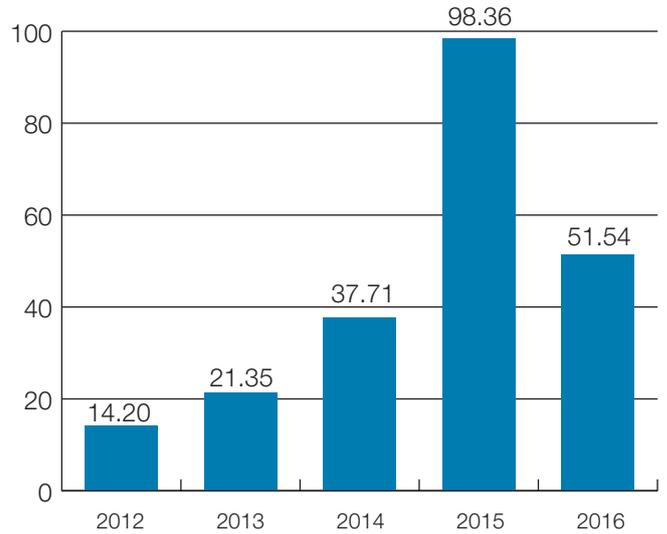


SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

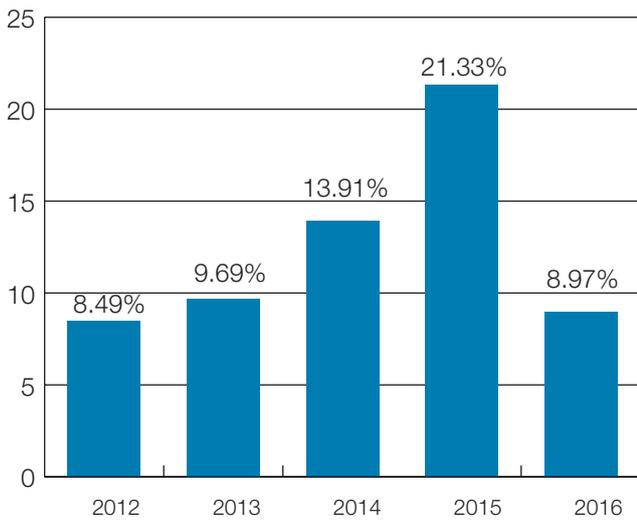
**Revenue and other income
(RMB in 100 million)**



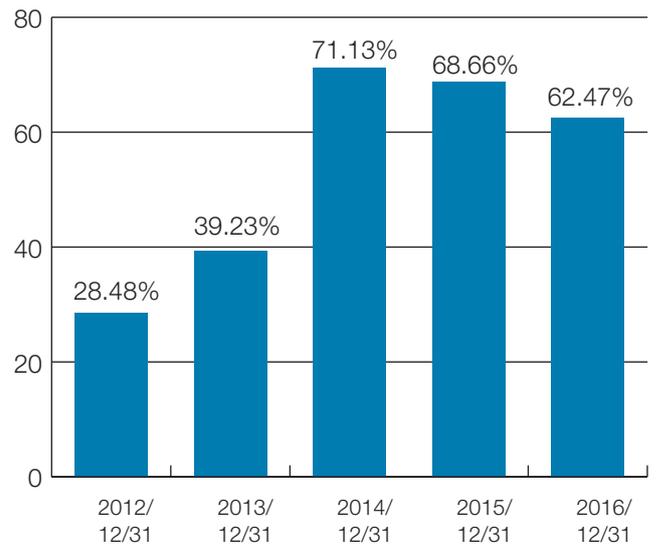
**Profit for the year – attributable to owners
of the Company
(RMB in 100 million)**



Weighted average return on net assets (%)



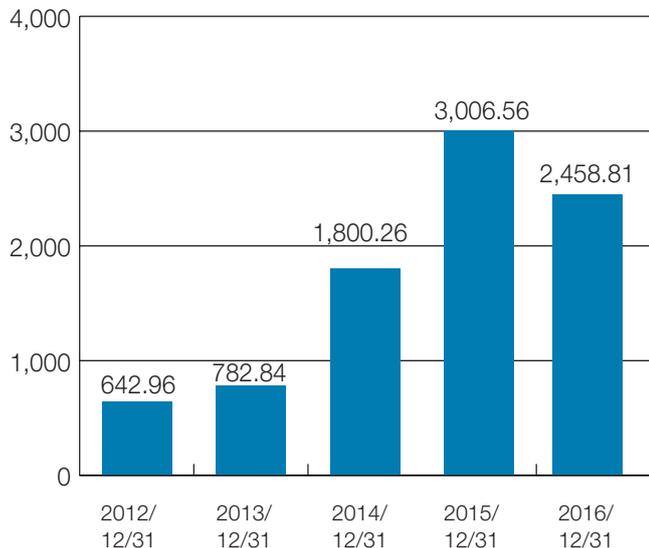
Gearing ratio (%)



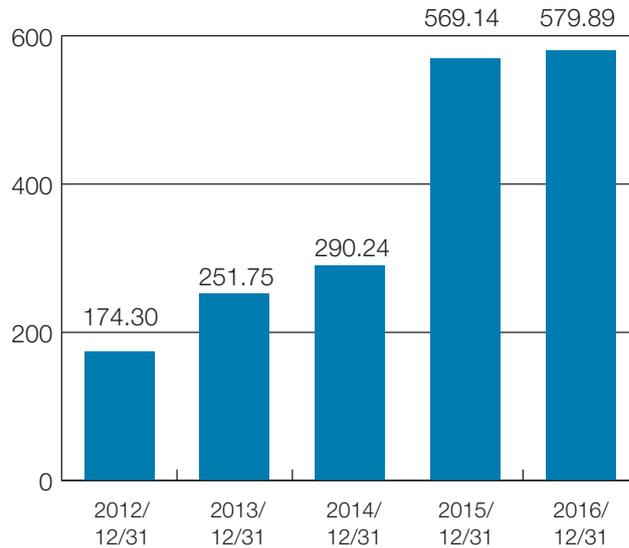


SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

Total assets
(RMB in 100 million)



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



VIII DIFFERENCES OF ACCOUNTING DATA UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

There is no difference between the net profits for 2016 and 2015, the net assets as of 31 December 2016 and 31 December 2015 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.

IX NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS

During the Reporting Period, the Company's relevant risk control indicators, including its net capital, have complied with relevant regulatory requirements. As at the end of the Reporting Period, the major risk control indicators of the Company are as follows:

Unit: RMB'000

Item	As at the end of the reporting period	As at the end of last year
Net Capital	53,108,748	65,221,481
Net Assets	56,902,821	56,257,728
Risk Coverage (%)	361.60	495.46
Capital Leverage (%)	34.88	29.33
Liquidity Coverage (%)	218.70	1,132.07
Net Stable Funding Ratio (%)	138.74	155.69
Net Capital/Net Assets (%)	93.33	115.93
Net Capital/Liabilities (%)	59.81	54.82
Net Assets/Liabilities (%)	64.09	47.28
Proprietary Equity Securities and Securities Derivatives Held/Net Capital (%)	31.14	21.47
Proprietary Non-Equity Securities and Securities Derivatives Held/Net Capital (%)	86.52	81.99

Note: Relevant data as at the end of year 2015 has been restated in accordance with Measures for the Risk Control Indicators of Securities Companies (2016 Revision).



SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

The Company calculates its risk control indicators such as net capital and liquidity according to the provisions of the Measures for the Risk Control Indications of Securities Companies (2016 Revised) implemented on October 1, 2016 by China Securities Regulatory Commission. Amongst them, the Company (i) refines the formula for calculating net capital by dividing net capital into net core capital and net supplement capital, comprising the risk adjustment of financial assets into the calculation of risk capital provision with the aim of avoiding deducting net capital twice; (ii) refines the formula for risk capital provision by changing the way risk capital provision was calculated from according to type of business to according to market risk, credit risk, operational risk and various other types of risk; (iii) optimizes the liquidity monitoring indicators and enhances liquidity coverage and net stable funding ratio from self-monitoring level to departmental regulatory level; (iv) elevates the level of completeness of risk coverage through refining the leverage ratio indicators; (v) sets the capital leverage index (net core capital/total on-balance and off-balance assets) to be not less than the 8% with reference to relevant regulatory requirement; and (vi) adds a ceiling for holdings of proprietary non-equity securities to not more than 20% of a total portfolio with reference to relevant regulatory requirement.

The risk control indicators of the Company calculated in accordance with the new regulation have genuinely reflected the quality of capital and the pertinency of risk measurements, and each has complied with the relevant regulatory requirement. The company endeavours to thoroughly implement the concept of comprehensive risk management, and further enhances the risk management capabilities and standards.



SECTION III COMPANY BUSINESS OVERVIEW

1. DESCRIPTION OF PRINCIPAL BUSINESSES, OPERATIONAL MODEL AND INDUSTRY IN WHICH THE COMPANY OPERATES DURING THE REPORTING PERIOD

(I) Primary business types of the Group

The Group is positioned as a leading comprehensive financial services provider in the securities industry in China and provides comprehensive securities services, including brokerage, sales and trading, investment banking and investment management.

The principal businesses of the Group include:

Brokerage, Sales and Trading	Investment Banking	Investment Management	Overseas Business
Brokerage and wealth management	Equity financing	Asset management	Brokerage and sales
Institutional sales and investment research	Debt financing	Private equity investment	Investment banking
Margin financing and securities lending and stocks pledge	Financial advisory	Alternative investment	Investment management
Proprietary trading and other securities trading services			Asset management

Brokerage, Sales and Trading

1. Brokerage and wealth management: We execute trades on behalf of clients in stocks, funds, bonds, derivatives and futures, and provide comprehensive wealth management services to our clients.
2. Institutional sales and investment research: We market and sell securities products and services to institutional investor clients and provide professional research services to facilitate their investment decisions.
3. Margin financing and securities lending and stocks pledge: We provide guaranteed and collateralized margin financing and securities lending services, which provide financial leverage for our clients to meet their financing demands and vitalize their equity assets.
4. Proprietary trading and other securities trading services: We engage in proprietary trading and provide other securities trading services to enhance liquidity for clients and accommodate our clients' investment and financing needs.

Investment Banking

We charge underwriting commissions and sponsorship and advisory fees through underwriting stocks and bonds and providing financial advisory services.

Investment Management

We charge management and advisory fees through providing asset management and private equity investment management services and obtain investment income through conducting private equity investment and alternative investment.



SECTION III COMPANY BUSINESS OVERVIEW

Overseas Business

The Company provides brokerage and sales, investment banking, research and asset management services to global institutional clients, corporate clients and retail customers through Galaxy International Holdings, which is set up in Hong Kong, as an overseas business platform.

During the Reporting Period, the Company also conducted Hong Kong Stock Connect businesses under Shenzhen-Hong Kong Stock Connect and trading businesses for bulk trading, introduced investment in precious metal products and private placement market-making on the New OTC Board as well as expanded the underwriting of green bonds and other innovative businesses. There were no change to its principal businesses.

(II) Operational model of the Group

The operational model of the Company is as follows: It focuses on the leading big transaction as the core and the investment banking and the asset management as two wings to achieve the coordinated and balanced development of all businesses, namely the “One Core, Two Wings and Coordinated Development”.

The leading big transaction not only includes the leading traditional brokerage business but also the leading margin financing and securities lending business, institutional sales and trading business, financial advisory business, sale of financial products and futures brokerage business, international brokerage business as well as the trading of various innovative financial products driven by the brokerage business.

The coordinated and balanced development includes the coordinated and balanced development of various businesses under the big transaction as well as the coordinated and balanced development among the big transaction, investment banking, asset management, proprietary investment and other principal businesses.

The Company adhered to the operational model of “One Core, Two Wings and Coordinated Development” to follow the innovation and development of the industry, give full play to the advantages of the Company and shore up the weaknesses with strength to achieve the balanced development of principal businesses and become a leading comprehensive securities company in the industry as soon as possible.

There are no significant changes to the operational model of the Company during the Reporting Period.

(III) Development characteristics of the industry of the Group

In 2016, from an international perspective, the global economic, financial and trading patterns faced with fundamental adjustment. The US interest rate commenced its upward cycle, and China faced an increasingly grim international economic and financial situation. From a domestic perspective, the domestic economic downward pressure intensified, and managing a steady growth and stable expectation and maintaining stability in the market were the focuses of economic policy. Looking forward, with the deepening of structural reform on the supply side and the implementation of the “one belt, one road” strategy, it created a favorable development environment for China’s securities industry. The development of China’s securities industry still has more opportunities than challenges.



SECTION III COMPANY BUSINESS OVERVIEW

In 2016, the overall Chinese stock market remained widely fluctuated. The SSE Composite Index, SZSE Component Index, SZSE SME Price Index and ChiNext Price Index plunged 12.31%, 19.64%, 22.89% and 27.71%, respectively, during the year. In terms of trading, the total trading turnover of A shares in 2016 was RMB126.51 trillion, decreasing substantially by 50.05% year-on-year. For equity financing, listed companies actually raised RMB1.74 trillion through IPO, additional offer and placing, representing an increase of 12.54% year-on-year. For margin financing and securities lending, the balance of margin financing and securities lending was RMB939.2 billion as at the end of 2016, which decreased by 20.02% year-on-year. For the bond market, the yield to maturity of 10-year fixed rate treasury bond in the secondary inter-bank bond market decreased first and hiked later. It increased by 19.03 bps, closing at 3.0115%. In 2016, the number of newly issued bonds in the primary market was 29,070, with the principal amounts of RMB36.35 trillion. As at the end of 2016, there were a total of 3,079 bonds in issue with balances of RMB64.29 trillion, representing a year-on-year increase of 58.27% and 32.56%, respectively.

The securities industry has entered into a new period for transformation and development under the “new normal” of the whole economy. As a key participant in the securities industry, the Company will actively respond to new changes and reforms, face a service-oriented economy transformation, provide full display of the functions of direct financing intermediaries to consistently improve the comprehensive financial service ability.

II. SIGNIFICANT CHANGES TO MAJOR ASSETS DURING THE REPORTING PERIOD

At the end of 2016, the Group's total assets amounted to RMB245,881 million, representing a decrease of 18.22% as compared with the previous year. Among them, the monetary funds was RMB69,064 million, down 32.67% from the end of last year, mainly due to reduction of the trading volume in Shanghai and Shenzhen stock exchanges in 2016 and significant decrease in customer funds; clear settlement funds were 25.363 billion, representing an increase of 9.05% over the previous year, which was mainly due to increase in provisions of clients; financing funds were 55.477 billion, down 20.90% over the previous year, mainly due to market volatility in 2016 and the shrinking of the scale of margin financing and securities lending; the financial assets at fair value through profit and loss amounted to RMB29,363 million, representing a decrease of 24.56% as compared with the end of last year, mainly due to the adjustment of the trading investment business of the liquidity management by the Group; financial assets purchased under resale agreements were RMB13,006 million, down 40.31% compared to the end of last year, which was mainly due to the decrease in scale of national debt reverse repurchase of the Group; financial assets available for sale were RMB36,524 million, representing an increase of 13.69% as compared with the previous year, which was mainly due to the adjustment of the business scale according to the market environment by the Group.

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

(I) Brokerage business with significant scale advantages

We have a leading market position in our brokerage business. During the Reporting Period and according to the unaudited data of the Securities Association of China (SAC), the net income of the Company from the securities brokerage business ranked second in the industry with a market share of 5.36%. According to Shanghai and Shenzhen stock exchanges, the total trading volume of stock and funds of the Company ranked third in the industry with a market share of 4.84%. The income from the sub-position of public funds ranked sixth in the industry with a market share of 4.19%. As at the End of the Reporting Period, the balance of margin financing and securities lending of the Company ranked fifth in the industry with a market share of 5.63%. As at the End of the Reporting Period and according to the SAC, the Company ranked second in the industry in terms of aggregate market value of securities in its client accounts, which amounted to approximately RMB2.51 trillion and represented a market share of 7.42%. According to the SAC, the Company ranked second in terms of total client account balance, which amounted to RMB63.379 billion and represented a market share of 4.86%. The scale of the client base and client assets of the Company provide significant growth potential for its businesses, and will become a powerful driver for development and innovation of its businesses such as margin financing and securities lending, capital-based intermediary bulk trades, institutional sales and cash management.



SECTION III COMPANY BUSINESS OVERVIEW

(II) Largest channel network currently in operation in the industry

The Company currently has 360 securities brokerage branches in central cities in 31 provinces, autonomous regions and municipalities across China, covering developed regions and regions with development potential. Currently, it is the securities company with most branches in China. Its overseas branches (including Hong Kong) and 26 futures brokerage branches provide clients with extended services. With its advantages in securities brokerage branches and client base, the Company is speeding up in transforming its traditional brokerage branches into wealth management centers that provide comprehensive brokerage and wealth management services. A reasonable strategic layout helps the Company obtain high-end clients in developed regions, benefit from the rapid economic growth and urbanization in developing regions, provide clients with convenient local services and help build brand advantages so as to grasp overseas business opportunities. At the same time, it can enhance the sense of belonging and trust of clients and promote coordinated marketing opportunities. To enhance its branch network's marketing capabilities, the Company also fully utilizes various information technologies such as Internet, e-mails, mobile terminal, text messages, and call centers to create a multi-channel marketing service and trading system.

(III) Large client bases in the industry

The Company has a large, stable and growing client base. As at the End of the Reporting Period, the Company had 8,770,000 brokerage clients, representing an increase of 1,260,000 clients or 16.78% compared with 2015. The investment banking business has served over 350 corporate clients. The large client base affords the Company significant potential for cross-selling among its business lines, which enables it to capture opportunities and rapidly grow new businesses.

(IV) Leading investment banking expertise

The investment banking business system of the Company has been improving. For the equity financing business, the Company has earned the trust and recognition of the clients for its consistent, high-quality and distinctive services. Taken into account the projects of Galaxy Limited, the Company has participated in top 10 IPO projects in terms of funds raised in China's securities marketing, and according to Wind Information, from the incorporation of the Galaxy Limited to the end of the Reporting Period, the Company had acted as a lead underwriter in 105 equity financing transactions with an aggregate offering amount of RMB254.368 billion, ranking eighth in the industry. For the bond financing business, based on its experience in the relevant industries and products as well as its understanding of investor needs, the Company has developed outstanding pricing capability to help its clients obtain optimal offering prices. During the Reporting Period, the Company actively participated in the innovation in green bonds and became one of the first executive members of the Green Financial Committee under the China Society for Finance and Banking. According to Wind Information, from the incorporation of the Galaxy Limited to the end of the Reporting Period, including the projects participated by Galaxy Limited, the Company had acted as a lead underwriter in 415 bond financing transactions with an aggregate offering amount of RMB570.398 billion, ranking eighth in the industry.

(V) Unique advantages from its history, brand and shareholders

The history of its securities brokerage and investment banking businesses can be traced back to the early 1990s from the former securities divisions of major financial institutions in the PRC, namely Industrial and Commercial Bank of China, China Construction Bank, Bank of China, Agricultural Bank of China, China Life Insurance and China Economic Development Co., which were subsequently consolidated into Galaxy Limited. "China Galaxy Securities" gradually became a well-known brand in the securities industry. After the establishment of the Company in 2007, it acquired the securities brokerage and investment banking businesses as well as the related assets from Galaxy Limited. Our controlling shareholder is Galaxy Financial Holdings, and our de facto controller is Huijin, a wholly state-owned company authorized by the State Council to make equity investments in major state-owned financial institutions. The history, brand and shareholder background of the Company have enhanced its clients' confidence in it, and enabled it to consolidate and expand its client base as well as capture more business opportunities.



SECTION III COMPANY BUSINESS OVERVIEW

(VI) Advanced IT system as well as prudent and effective risk management

The Company owns the latest IT system. During the Reporting Period, the Company consistently strengthened the IT infrastructure construction and the independent development capacities on information systems. It has successfully completed the fifth trading system of Shenzhen Stock Exchange (SZSE) and the introduction and operation of businesses under Shenzhen-Hong Kong Stock Connect. It was awarded for its outstanding contribution to the construction of the systems of the SZSE. The transformation of home-made passwords for the double systems for online trading was introduced and it became the first pilot securities brokers in the industry. The protection for the security of its information system was certified as excellent by the Ministry of Public Security.

The Company continued actively advancing the construction of comprehensive risk management system. It formulated systems on the management of liquidity risks and operational risk and advanced the construction of key risk management systems. The accumulation and management of various risks data were gradually enhanced and the lean management of risks was improved. The Company focused on the regulation on the construction of compliance risks controlling in key businesses and consolidated the foundation for the controlling of compliance risks.

(VII) Experienced management team with global vision and high-quality employee team

Our senior executives have on average over 20 years of management experience in the securities and financial industries. Their forward-looking vision and aggressive quality enable us to timely adjust our business strategies and tactics based on client needs and market condition. The Company's employees have high quality, profound resources, extensive experiences, strong professionalism and high stability and have actively contributed forwards the development of the Company.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

I. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Overall operation

The A Share market remained weak and fluctuating in 2016, which significantly impacted the securities trading business and the financial results of the securities industry. Under the leadership of the Board, the Company largely managed to overcome those adverse impacts and effectively maintained its market position through proactive exploration and innovation. During the year, the Company has largely succeeded in achieving its annual targets initiated and proceeded with its overseas mergers and acquisition in an orderly fashion, and further enhanced its fundamental management work. In December 2016, the Company passed the regulatory vetting of its A Shares IPO, and in January 2017 completed the IPO of A Shares, achieving a dual, A+H listing in the PRC and Hong Kong.

The brokerage business of the Company has expedited its transformation into a comprehensive wealth management business model and strived to developed into a one-stop financial services platform. The margin financing and securities lending business actively adjusted the strategy on business development, balancing risks and return as well as revenue and market share. The research and institutional sales and trading business maintained its market influence and expanded its business through strengthening sales and clients services. The proprietary investment business continued to operate with a set of clear ideas, adopting flexible and prudent operation strategies. The IPO business achieved stable development with increasing project reserves. The bond financing business effectively explored business opportunities in corporate bonds, successfully achieving a relatively rapid year-on-year growth in underwriting amounts and increasing diversification in product types and revenue structure. The investment management business actively improved product portfolios and client service ability and achieved significant growth in business size. International expansion through merger and acquisition has been proceeding in an orderly fashion through the Company's Hong Kong subsidiary's platform.

(II) Analysis of Major Business

(i) Brokerage, sales and trading business

1. Securities brokerage

During the Reporting Period, revenue and other income from the securities brokerage business of the Group amounted to RMB12.512 billion, representing a decrease of 51.08% as compared with 2015, mainly as a result of significant reduction in the stocks and funds trading turnover of the A share market in 2016, as well as reduction in brokerage commission rate.

Market environment

The A share market exhibited a trend of narrow-band fluctuations with tightening regulatory oversight in 2016. Industry brokerage commission rate continued its rapid decline as competition in the traditional securities brokerage business intensified. The annual stocks and funds trading volume amounted to about RMB130.31 trillion with daily average trading turnover of about RMB0.53 trillion, representing a decrease of 50.41% as compared to 2015. The market for margin financing and securities lending experienced significant shrinking but rebounded slightly during 2016, with an outstanding balance of RMB939.2 billion as at the End of the Reporting Period, representing a decrease of 20.02% as compared with the end of 2015. On the other hand, the number of clients participating in the dealer-quoted securities repurchase business increased steadily with increasing business size and proportion of revenue contribution in 2016, which was become a pillar in the development of financing business of securities companies. As at the End of the Reporting Period, the balance of dealer-quoted securities repurchase business pending repurchases on Shanghai and Shenzhen markets were RMB1.29 trillion, increasing 85.52% year on year. The market of funds trading saw fierce competition in 2016 with the strong remaining strong in the market. Insurance companies conducted overall appraisal on the research strength of securities brokers and consistently raised the requirements on the business level and service ability of securities brokers. As a result of the fluctuation of RMB exchange rate and the fluctuating Chinese stock market, the trading volume in the QFII market plunged significantly in 2016. Clients mainly held currencies or bought monetary fund in the market with a wait-and-see attitude.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Operation initiatives and results

Under the guidance of the overall strategy of the Company, the brokerage business has expedited its transformation into a comprehensive wealth management business model and it strived to develop into a one-stop financial services platform. During the Reporting Period, the brokerage business focused on customers' needs and asset allocation, further diversified its product offerings and conducted product sales competitions and continuous marketing activities based on market conditions to maintain rapid development of the sales of financial products. Its strengthened its marketing of the offline subscription of new shares, enhanced the rationalization of business processes and improved the efficiency of work flow to achieve rapid growth in the number of clients with CA (Certificate Authority) certificates. The Company also strived to improve the overall service ability to private funds. With successful launch of seed fund from the initial period of private equity and taking full advantage of the Company's strength in its private equity fund platform, the Company commenced its outsourcing service business for banks and private equity funds in the form of FOF/MOM (Fund of Fund/Manager of Manager), which effectively increased the loyalty of private equity customers, built the brand of the Company and improved the market competitiveness. It promoted the development of stock option, Hong Kong Stock Connect and other innovative businesses. As at the End of the Reporting Period, the number of the stock option clients of the Company increased to 18,100. It actively conducted preparatory work for the introduction of Shenzhen-Hong Kong Stock Connect and has become one of the first batch of securities brokers authorised for trading under the Shenzhen-Hong Kong Stock Connect. The Company continued to establish branches and strengthened the full coverage of branch layout. During the Reporting Period, it completed the establishment of 30 new branches. As at the End of the Reporting Period, the number of branches of the Company increased to 360, ranking first in the industry.

Item	2016	2015	Increase/ Decrease
Stocks and funds trading turnover (RMB in 100 million)	126,010.60	271,621.83	-53.61%
Number of clients (in 10 thousand)	877.00	750.92	16.79%

Source: Members' Zones of SSE and SZSE

In terms of its margin financing and securities lending business, the Company applied its margin financing and securities lending leverage model to formulate counter-cyclical adjustment mechanism to continuously strengthen its dynamic management of pledged securities with a view to pre-empt and release risks associated with listed companies. To effectively retain core clients and their assets, the Company conducted timely adjustments to interest charges and offered preferential packages to maintain its pricing competitiveness. The Company also established an initial system of strategic products with multi time dimensions and conducted seminars on investment strategies on margin financing and securities lending with high-end clients to effectively strengthen its capacity to maintain high-end clients and improve its strategic services. The Company also introduced a block-trade system module for its electronic trading platform for SZSE and continued to enhance its business process and system functionalities to meet the demands of clients for multi-layered transactions.

Faced with the two-fold pressure of overall weakening market and increased competition of the margin financing and securities lending business, as at the End of the Reporting Period, the balance of margin financing and securities lending of the Company was RMB52.925 billion, representing a decrease of 23.46% as compared to 2015, with a Market Share of 5.63%, ranking fifth in the industry. The number of credit accounts was 305,900, which increased by 5.94% as compared to the previous year, with a Market Share of 7.11% in terms of newly opened accounts. The margin financing turnover volume during the Reporting Period was RMB1.33 trillion, representing a decrease of 70.58% as compared to 2015, with a Market Share of 5.75%, ranking second in the industry.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

In terms of its dealer-quoted securities repurchase business, the Company focused on promoting the development of this business and further improved its business operating system. It strengthened its efforts in channels expansion and enhanced the business linkage of its proprietary securities repurchase activities and asset management projects to improve its ability to undertake projects. The Company also established a system for contract performance and guarantee amount management, and during the Reporting Period the Company did not encounter any incident where the minimum guarantee amount alert was triggered. As at the End of the Reporting Period, based on the statistics of the SSE and the SZSE, the Company's balance of dealer-quoted securities repurchase business was RMB22.6 billion, ranking 21st and improved from the 29th at the end of 2015. The Company also ranked fourth in terms of balance of pledged securities from proprietary trading newly introduced during the Reporting Period.

In terms of the research business, the research business of the Company continued to maintained its strength and market influence. It focused on the improvement of its research platforms, strengthened its compliance and actively expanded its external services. It provided research services to more than 210 institutes. In the assessment and selection of the best analyst by New Money in 2016, the textile and apparel team ranked first and the petrochemical engineering team ranked second. Besides, machinery, military engineering, electronics and computer were on the list. For institutional sales and trading, the Company enhanced its service quality and enriched its service contents by way of expanding efforts in organizing small-scale roadshows and reverse roadshows as well as special topic discussions for clients, and coordinating communications and exchanges between regulators and institutional clients. The insurance institutional client business recorded four new clients and it signed contracts with a total of 23 insurance institutional clients (for the lease of trading units). The services for insurance institutional client business cover all of the 24 insurance and asset management companies (including those under preparation for establishment), the asset management departments of 28 insurance companies and four corporate group clients. The QFII business saw one new client. The QFII and RQFII businesses have signed contracts with 12 clients.

Challenges and prospects for 2017

For brokerage business, building a comprehensive financial services platforms, providing clients with one-stop financial solutions and expediting the transformation into the comprehensive wealth management business model has become the dominant trend in view of the profound changes in the regulatory environment and competitive landscape of the overall financial industry at present. As the awareness of investors on the investment in financial products gradually improves, the sales of financial products will continue to boom. Fixed income products and private equity product supported by outstanding performance track record will be favored by investors. The OTC (Over the Counter) business and PB (Prime Broker) business will see rapid development. The Shenzhen-Hong Kong Stock Connect business will be officially introduced. With the gradual deepening of industry transformation, the Hong Kong Stock Connect, stock options and other innovative businesses will see further development.

For the margin financing and securities lending business, based on the market condition in past years, the balance of margin financing and securities lending in the market is closely correlated with the trend of market indexes. It is expected that the balance of margin financing and securities lending will continue to fluctuate with the market indexes in 2017. In addition, on the back of a continuous low interest rate and the increasingly intensified competition on the pricing of margin financing and securities lending, it is expected that the pricing of margin financing and securities lending will remain at a low level in 2017.

For share pledge business, the regulatory authorities are tightening their oversight on the financiers and the uses of funds, restricting banks to conduct share pledge and repurchase business through asset management business of securities brokers at channels. The traditional cooperation between banks and securities brokers will be gradually squeezed. Securities brokers have to conduct innovation and reach new cooperation models with banks to seize preemptive opportunities in the next round of business development.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

For research and institutional sales and trading business, while maintaining a sound development of its funds, insurance and QFII businesses, the Company will continue to develop and promote other institutional businesses including private equity through better coordinating various business models. The Company will establish a more normalised and multi-layered communication mechanisms with clients and become more professional and seasoned in devising marketing campaigns, creating business demands and maintaining customer relations. It will strengthen business innovation and actively take advantage of opportunities in Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and WFOEs (Wholly Foreign Owned Enterprise) to introduce new overseas institutional clients.

2. Futures brokerage

Market environment

There were no new products introduced in the domestic futures market in 2016, but various institutions were enthusiastic in participating into the futures market. Over 100 listed companies participated in hedging activities and the structure of investors in the market has been rapidly optimizing. With a deepening concept of servicing real commercial needs, the futures industry becomes more aware of the use of commodity futures and spots to serve real industrial purposes, resulting in improved risk resistance and profitability of futures companies. While the futures market maintained steady development, the prices of futures with declining market turnover fluctuated violently as a result of the stricter measures on the regulation and control of futures.

Operation initiatives and results

Going along with the industry development and the trend of regulatory reforms, Galaxy Futures has gradually upgraded its business focus from traditional agency services to full-faceted sell-side services through continuous identifying the financing needs of its clients to enhancing its sales and marketing capacity. While maintaining a stable development of futures brokerage business, the Company also focused on the investment management and allocation aspects of its asset management business and strengthened the featured competitiveness of its asset management business. During the Reporting Period, due to increased regulatory control over the futures market, the market activity and trading volume of futures transactions were significantly reduced. As a result, daily average interest of futures brokerage customers of Galaxy Futures amounted to RMB14.762 billion, and trading volume and turnover of the futures brokerage business amounted to 103.5 million and RMB5.12 trillion calculated on the basis of one-sided trades, revenue and other income of Galaxy Futures amounted to RMB754 million, representing a decrease of 13.70% as compared to 2015. The rating of Galaxy Futures was AA of A rating in the classification and evaluation of futures companies by the CSRC.

Challenges and prospects for 2017

With increasing trading volume and the introduction of new products, the influence of Chinese futures market on global bulk commodities is increasing. Foreign companies are increasingly tending to enter the Chinese futures market. Meanwhile, as the regulatory authorities gradually loosening requirements for foreign players to enter into the PRC futures market, more foreign capital will flow into the futures market. Domestic futures companies will see more intensified competition in talents, products innovation and client resources.

3. Proprietary trading and other securities trading services

Though the development of the capital market in China witnessed fluctuations and the bond market experienced sharp rise and fall in 2016, the Company maintained clear ideas in its proprietary investment business and no investment risk incident occurred during the year. During the Reporting Period, the revenue and other income from the proprietary trading and other securities trading services of the Group amounted to RMB2.575 billion, representing a decrease of 45.17% as compared with 2015, mainly due to fluctuations in the stock market and reduced return on equity investments.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Market environment

In 2016, the SSE Composite Index closed at 12.31% lower and the SZSE Component Index closed at 19.64% lower. The average yield for standard stock funds in the market was -12.27% while the average yield for stock-leaning funds was -14.66%. The bond market fluctuated with significant surges and plunges. In the first three quarters, the entrusted and off-balance sheet wealth management product balance of banks surged, which resulted in assets shortage and the irrational surging of the bond market. In the fourth quarter, as a result of various bearish factors such as the rising cost of short-term capitals by the central bank and the expectation on interest rate hike of U.S. dollars, the market experienced a panic plunge. Overall, the CSI Aggregate Bond Index increased slightly by 1.28% for the whole year.

Operation initiatives and results

(1) *Equity investment*

Facing the unfavorable market environment and on the basis of the strict implementation of various rules, systems and decision-making procedures, the equity investment business of the Company continued to operate with a set of clear ideas and demonstrated satisfactory execution capability. The Company successfully grasped investment opportunities in the secondary market from time to time, while participated in private placements of listed companies after due consideration and analysis on investment value and the companies' future prospects. It also actively expanded strategic quantitative trading and achieved results outperforming the market and the industry.

(2) *Bond investment*

During the Reporting Period, based on the judgment that the bond market was approaching the end of a bullish run with increasing uncertainties, the Company adopted strategies with flexible and prudent operation. It reduced the holding of relatively low-graded credit bonds and long-term bonds at high levels. With the consistently improved structure of its bond portfolio, the Company has generally avoided the risks of significant market fluctuations. The Company realized income far above the CSI Aggregate Bond Index and comparable bond funds in similar markets for the whole year. The Company is one of the earliest pilot securities brokers conducting the dealer-quoted bond repurchase business and maintained the market position of ranking first in terms of the size. It also directly guided and participated in the formulation of the trading rules on the dealer-quoted bond repurchase business. As at the End of the Reporting Period, the number of investors increased to over 440,000, hitting a new high, with daily average outstanding balance of RMB9.017 billion.

(3) *Derivatives investment*

The Company firstly introduced its ETF fund liquidity services business in the industry and strengthened the business on currency ETFs. It conducted in-depth research and development of OTC financial derivatives business and introduced the first dealer-quoted block trade product for high net worth clients. As at the End of the Reporting Period, the balance of the Company's currency ETF business was RMB1.3 billion. The number of accounts opened for the dealer-quoted repurchase business on SZSE (the product "Jin Zi Lai" ("金自来")) was 75,081 with a balance of RMB2.67 billion. The balance of "mini" dealer-quoted repurchase transactions (the product "Xin Yi Yu" (鑫易雨)) was RMB1.243 billion, representing an increase of 368.49% as compared to 2015. The income certificates business (the principal-preservation fixed income product "Galaxy Jin Shan" (银河金山)) has launched a total of 92 tranches. The balance of the buy and re-sell business was RMB404 million.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Challenges and prospects for 2017

On the basis of stringent risk controls, the Company will further strengthen its research and steadily advance its participation in listed company private placements in 2017. It will gradually increase the proportion of strategic quantitative trading investment, improve the multi-factor model and improve the success rate of investments. In addition, it will explore more investment models and trading strategies and strive to achieve scaled deployment of capital for investments with low risks and stable returns, to increase revenue generating certainty for its proprietary business. Driven by the fundamentals of the bond market, the financial de-leveraging and overseas factors, the bond market will further fluctuate in 2017. As a whole, investments in the bond market will be increasingly difficult and the pressure for risks management will increase as well. For derivatives investment, the Company will focus on the promotion of “mini” dealer-quoted repurchase transactions, link up with income certificates, revitalize its stocks inventory and its dealer-quoted block-trade products. The Company will continue exploring exchange businesses and promote returns swap and OTC options business.

(ii) Investment banking business

During the Reporting Period, the Company strived to develop new markets, expanded its project pipelines, actively engaged in execution work for projects in preparation for, as well as under relevant regulatory vetting process, all the while strengthening its quality control. As a result, revenue and other income of the Group from investment banking business amounted to RMB1,092 million, representing an increase of 32.85% as compared to 2015.

1. Equity financing and financial advisory

Market environment

In 2016, the regulatory authorities increased its scrutiny in vetting and approving on IPOs, refinancing, M&As, reorganization and other projects. Faced with an unfavourable environment, the equity financing business of securities companies responded proactively to migrate towards more product and revenue diversification.

Operation initiatives and results

The Company continued consolidating and expanding its traditional sponsorship and underwriting business and solidifying its IPO business. It actively developed the refinancing business and grasped current market opportunities in view of the low interest rate environment to explore business opportunities in corporate bonds. It continued to expand asset securitization, preference share projects and other innovative businesses and expand its project pipelines. It also actively explored the potential of more integration among its innovative businesses private placements, investment, M&As and other businesses. During the Reporting Period, the Company completed six IPO projects with a total underwriting amount of RMB3.645 billion, ten private placements with a total underwriting amount of RMB20.921 billion and one restructuring M&A with fund-raising project. The amount of equity securities underwritten as a lead underwriter was RMB29.941 billion, ranking 14th in the industry. In addition, the Company completed one preference share project with an issue size of RMB10 billion, and two corporate ABS (Asset Backed Securitization) projects with a total size of RMB2.464 billion. In the “Selection of the 2016 Outstanding Investment Banks in China” held by the Securities Times in April 2016, the Company was awarded the “2016 Top 10 Insurance Agencies in China” and the “2016 Best Financial Advisory Team in China”. On 13 December 2016, the Securities Association of China released the results of the professional practice of financial advisory business of securities companies conducting M&As and reorganizations of listed companies in 2016, and the M&A and reorganization business of the Company was rated Grade A.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Item	2016	2015	Increase/ Decrease (%)
Amount of equity securities underwritten by the Company as the lead underwriter (RMB100 million)	299.41	287.87	4.01%
Number of equity securities underwritten by the Company as the lead underwriter	17	12	41.7%

Source: WIND Info

Challenges and prospects for 2017

The State Council released the guidance on the implementation of “debt-for-equity swap” to reduce the leverage ratio of enterprises in a practical way, which provided favorable macro-economic fundamental supports to the sound operation of the stock market. The equity financing business of the Company will actively promote the transformation into the trading investment banking profit model. It will endeavour to promote a comprehensive investment banking platform model with “professional division plus systematic coordination” and establish the Investment Banking Services (IBS) Department as the unified customer relationship department assuming responsibilities for clients management. It will closely follow the regulatory moves on the industry and strengthen the risks control on the quality of projects. While strictly controlling risks, it will continue consolidating and expanding its traditional sponsorship and underwriting businesses and enhance the procurement and undertaking of quality IPO projects.

2. Bond financing

Market environment

The Chinese bond financing market maintained rapid growth in 2016 with an issuing size of RMB36.36 trillion, representing an increase of 56.73% year on year. A total of 9,964 major credit bonds (including enterprise bonds, corporate bonds, medium-term notes, short-term financing bonds, targeted instruments, asset-backed securities, convertible bonds and exchangeable bonds) were issued, raising a total of RMB9.44 trillion, representing an increase of 26.36% year on year. Innovation remains the theme of the bond market. Various special bonds, green bonds, perpetual bonds, panda bonds and exchangeable bonds were introduced. Bonds serving industrial transformation and the supply-side reform and other projects to raise funds were introduced, which became new growth contributors in the market.

Operation initiatives and results

The Company grasped market opportunities and proactively pursued transformation. On the one hand, it continued its efforts in developing the traditional enterprise bonds market. On the other hand, it expanded efforts in catching up with the bonds underwriting market and actively expanded inter-institution private fund-raising products, green products and other innovative products. During the Reporting Period, the credit defaults in the bond market kept simmering. The Company strengthened its internal management and enhanced its quality control to strictly prevent various risk incidents. There were no risk incidents on various bonds issue in which the Company acted as the lead underwriter and no difficulties in the repayment of any bonds. The Company underwrote a total of 69 enterprise bonds, corporate bonds, financial bonds, medium-term notes, targeted instruments, exchangeable bonds, raising a total of RMB82.691 billion.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Item	2016		2015	
	Amount underwritten (RMB in 100 million)	Number of issuance	Amount underwritten (RMB in 100 million)	Number of issuance
Enterprise bonds	231.84	23	154.88	18
Corporate bonds	406.88	38	99.50	10
Financial bonds	130.00	4	454.30	12
Short-term financing bonds	–	–	42.00	2
Medium-term notes	7.00	1	7.00	1
Targeted instruments	9.50	1	25.30	3
Convertible bonds	35.00	1	–	–
Exchangeable bonds	6.69	1	–	–
Total	826.91	69	782.98	46

Source: WIND Info

During the Reporting Period, the Company actively pursued the underwriting of corporate bonds. It underwrote a total of 38 corporate bonds and raised RMB40.688 billion, representing an increase of 280% in the number of issuance and an increase of 308.92% in the underwriting size year on year. The proportion of the size of corporate bonds underwritten in the total underwriting size exceeded enterprise bonds for the first time. The underwriting of enterprise bonds maintained stable growth. The Company underwrote a total of 23 enterprise bonds and raised RMB23.184 billion, representing an increase of 27.78% in the number of issuance and an increase of 49.69% in the underwriting size year on year.

Challenges and prospects for 2017

In 2017, the issuance of bond issuance will face increasing regulations, with approval efficiency further improved. The development of emerging green bonds will speed up. With the increasingly fierce competition in the bond market in recent years, the underwriting fee will continue to decline. With multi regulation on the bond market, there will be more systemic risks. The Company will continue to devote resources in the bond financing business. It will follow the guidance of “finance serves real economies” and consolidate and improve the competitiveness of the traditional bonds underwriting business. It will take full advantage of all resources of the Company to discover the diversified demands of clients to become a solution provider and resources integrator based on clients’ demands and achieve business upgrading and breakthroughs. Meanwhile, it will continue to strengthen its risks control and prevent the happening of risk incidents in the bonds underwriting business.

3. New OTC Board

Market environment

In 2016, the number of listed companies on the New OTC Board experienced rapid growth and has exceeded 10,000 in total and the financing amount maintained at a similar level with 2015. However, due to the illiquidity, the increase in market makers has been slow. Meanwhile, stricter regulation on the market continued to promote structural differentiation. From 1 April 2016, the National Equity Exchange and Quotation System officially implemented an appraisal system on the practice quality of hosting securities brokers. On 27 May 2016, it issued the “Measures for the Hierarchical Management of Listed Companies (for Trial Implementation)”. Currently, the hierarchical management has been implemented, which further improves the base for New OTC Board.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Operation initiatives and results

The Company further optimized its business structure for the New OTC Board and continued to strengthen its risk control system and has achieved remarkable results. It ranked first in the total appraisal on the practice quality of hosting securities brokers during April to December 2016. To grasp market opportunities, the Company fully leveraged on its advantages from network and customer base and progressively built up and optimized the development of synergy among different chains within the businesses of the New OTC Board. During the Reporting Period, the Company completed 44 new listings on New OTC Board, and 20 share issuances on New OTC Board, with the funds raised by listed companies amounting to RMB2,027 million. There were 32 new online market making projects.

Indicators	2016	2015	Increase/ Decrease (%)
Number of listings on New OTC Board	44	30	47%
Number for share issuances on New OTC Board	20	29	-31%
Funds raised by listed companies (RMB100 million)	20.27	10.85	87%
Number of new online market making projects	32	32	0%

Source: Internal statistics of the Company

Challenges and prospects for 2017

As the development of the New OTC Board gradually improves and the quickening implementation of supporting policies, the market liquidity may improve gradually. The Company will continue to focus on the quality of projects and steadily increase the number of enterprises conducting listing, issuance, M&As and reorganizations and strengthen its work on monitoring and guidance. It will facilitate the sound development and operation of market-making businesses in accordance with regulations and increase the number and investment in market-making stocks. It will speed up the study and implementation of operation and profit models covering the whole industry. It will also strengthen the study on the industry and the market, further improve the clients service system and marketing system to provide sufficient support to the development of businesses.

(iii) Investment management business

1. Asset management

Market environment

The regulatory policies were significantly tightened and the financial market saw significant fluctuation in 2016, which brought certain tests to the product design and investment management in the asset management industry. However, the asset management business of securities brokers maintained their strong competitiveness. The wave of outsourcing business of commercial banks brought rare opportunities for the asset management business of securities brokers in exploring clients and increasing their active management business. Stocks pledge, private placement, the subscription of new shares and other activities saw various investment opportunities, which are traditionally advantages of securities brokers.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Operation initiatives and results

During the Reporting Period, revenue and other income from asset management business of the Group amounted to RMB917 million, representing an increase of 75.01% as compared with 2015. Galaxy Jinhui actively expanded its cooperation with commercial banks and insurance companies. Henghui series products based on multi-asset strategies and seeking absolute returns were popular and recognized by such institutes. The T+0 function of cash management products was successfully introduced and effectively improved the satisfaction of clients. It mastered market opportunities and actively conducted stocks pledge, the subscription of new shares and other businesses. The asset securitization project was advanced steadily. It was successfully granted the QDII qualification, which laid a solid foundation for the improvement of the product system. The sub-brand product system of the company under the “Hui” series was further diversified. The investment services covered cash management, fixed income, equities, derivatives, non-standard financing and asset securitization and fully met the investment and financing demands of clients. During the Reporting Period, the investment management ability and client services of Galaxy Jinhui were significantly improved. The assets under management and revenue maintained excellent growth. As at the End of the Reporting Period, the assets under management of Galaxy Jinhui amounted to RMB221.471 billion, representing an increase of 83.13% as compared with 2015. Among them, the scale of collective asset management business amounted to RMB41.689 billion, the scale of targeted asset management business amounted to RMB174.423 billion, and the scale of special asset management business amounted to RMB5.359 billion. The Company had 276 management products (74 collective products, 197 targeted products and 5 special products).

Item	2016			2015		
	Size (RMB in 100 million)	Net value (RMB in 100 million)	Quantity	Size (RMB in 100 million)	Net value (RMB in 100 million)	Quantity
Collective asset management business	416.89	402.9	74	317.74	319.05	46
Targeted asset management business	1744.23	1699.25	197	865.96	872.30	93
Special asset management business	53.59	58.43	5	25.67	28.55	2

Source: Internal statistics of the Company

Challenges and prospects for 2017

The “de-leveraging” policies on the asset management business are gradually under implementation in 2017. The development of structured, investment advisory, targeted channels and other businesses will be restricted to certain extent. Meanwhile, the active management collective plans, special asset plans in particular, will maintain high growth and the structure of asset management products will continue improving. Galaxy Jinhui will further improve its active management capabilities and focus on building an all-round asset management and service platform to meet the demands of different types of clients.

2. Private equity investment

Market environment

With the introduction of the 13th Five-year Plan and the booming entrepreneurship wave, the private equity (PE) market will see more investment opportunities. With the rapid growth of the M&As in the market and the liquidity improvement as a result of the hierarchical management of listed companies on the New OTC Board, the PE market will maintain relatively rapid growth. Meanwhile, the entry of banking, insurance, trust and other traditional financial institutes will bring significant competition pressure on original participants in the PE market.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Operation initiatives and results

Galaxy Capital strives to promote the transformation of the investment business. On the one hand, it promotes the private equity fund management business with the equity investment platform of Guangdong Galaxy Yueke Fund (廣東銀河粵科基金) and actively explores M&As funds and other private equity fund businesses. On the other hand, it intensified its effort on the post-investment management of existing direct equity investment projects, vigorously pursued exit strategies from projects and properly dealt with problematic projects. It adopted various measures to protect the interests of the Company. During the Reporting Period, the operating income of Galaxy Capital amounted to RMB146 million, representing an increase of 19.67% as compared to 2015. As at the End of the Reporting Period, Galaxy Capital invested in nine equity projects and three bond investment projects on a cumulative basis.

Challenges and prospects for 2017

In 2017, Galaxy Capital will greatly promote the business transformation towards the private equity management subsidiaries under securities companies and continue to promote the equity investment business with Guangdong Galaxy Yueke Fund being the major focus as well as increase the input in the management of M&As funds, industrial funds and other private equity investment funds. Meanwhile, it will continue promoting the exit of existing direct equity investment projects.

3. Alternative asset investment

Market environment

The decrease in investment gains and the scarcity of quality assets caused by the economic downturn created serious challenges to the investment work. M&As investment, high technology manufacturing and other new economic fields became investment hotspots. It has become a trend for securities companies to establish subsidiaries to conduct alternative investments. The size of alternative investment companies is increasingly. The competition is increasingly fierce in the fight for quality alternative assets.

Operation initiatives and results

Galaxy Yuanhui was officially put into operation in early 2016. While managing its own capitals, it deeply explored the potential of the high-end wealth management market and conducted equities, M&As, private placement and other investment business under controllable risks. Meanwhile, it also developed health and medical treatment, robots, biotechnology, spaceflight and national defense, IT, education and other industries. During the Reporting Period, Galaxy Yuanhui established a more comprehensive system and all businesses are progressing smoothly. It achieved revenue and other income of RMB11 million. As at the End of the Reporting Period, Galaxy Yuanhui has invested in 19 projects with a total investment of RMB354 million.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Challenges and prospects for 2017

In 2017, Galaxy Yuanhui will adjust operation strategies and improve the team structure in accordance with regulatory policies. Under new normal economic conditions, selection of industries to be invested must be precise, and investments will be made in industries with high growth rate and diversified financial products in order to achieve stable growth in the results of the company.

(iv) Overseas business

Market environment

The Heng Seng Index closed at 22,000.56 points at the end of 2016, representing an increase of 0.4% from the end of 2015. The average daily turnover of Hong Kong shares reached HK\$66.9 billion in 2016, decreasing 37% from 2015. The IPOs in the Hong Kong market raised HK\$194.8 billion in 2016, decreasing 26% from 2015.

Operation initiatives and results

During the Reporting Period, Galaxy International Holdings actively advanced the internationalization strategy to build it into a two-way bridgehead for the out-going and incoming activities of the Company. While guaranteeing the development of regular businesses and prudently managing the financing business, it continued improving the product platform and preliminarily conducted fixed revenue business and insurance brokerage business. All businesses maintained sound operation. During the Reporting Period, it recorded revenue and other gains of RMB434 million, representing an increase of 1.83% from 2015. On 17 October 2016, after various negotiations Galaxy International Holdings and CIMB Group in Malaysia entered into a “Non-legally Binding Term Sheet” on possible partnership in respect of cash equities business comprising institutional and retail brokerage, equities research and associated securities businesses in various South East Asia countries.

Challenges and prospects for 2017

As financial institutes and enterprises speed up their development and presence in Hong Kong, the market competition will be increasingly fierce and the regulations will be consistently enhanced. In 2017, Galaxy International Holdings will continue advancing the internationalized strategic layout and expand local platforms in Hong Kong. While consolidating the four major regular businesses, namely brokerage, investment banking, financing and asset management, Galaxy International Holdings will continue to build diversified and balanced revenue model with multiple channels, strengthen risks management, internal control systems and systems building to ensure that the Company will advance towards long-term, sound and sustainable development.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

II. MAJOR OPERATION DURING THE REPORTING PERIOD

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

In 2016, China's securities market experienced a downturn reflected by the fluctuating SSE Composite Index and significant drop in securities trading volume in two stock markets. Under the extremely complicated macroeconomic, market environment and peer competition, the Company maintained its strategic strengths, upheld the business model of "one core and two wings" and strictly monitored compliance risk management to advance the coordinated development of each business segment. The Company's brokerage business maintained a leading position in the industry while capital-based intermediary business and investment banking business progressed through stability. However, given the lower trading volume in securities market, decline in commission rate and smaller scale of margin financing and securities lending business, the Company's result in 2016 was affected and showed a significant decrease as compared to the same period of 2015.

In 2016, the Group realized revenue and other income of RMB18.403 billion, representing a decrease of 45.49% as compared to 2015; the Group realized net profits attributable to owners of the Company of RMB5.154 billion, representing a decrease of 47.60% as compared to 2015; the Group realized earnings per share of RMB0.54, representing a decrease of 51.35% as compared to 2015, and the weighted average return on net assets amounted to 8.97%, representing a decrease of 12.36 percentage points as compared to 2015.

(ii) Asset structure and quality

As at the end of 2016, total assets of the Group amounted to RMB245.881 billion, representing a decrease of 18.22% from RMB300.656 billion as at the end of 2015; total liabilities amounted to RMB187.527 billion, representing a decrease of 22.96% from RMB243.406 billion as at the end of 2015; equity attributable to owners of the Company amounted to RMB57.989 billion, representing an increase of 1.89% from RMB56.914 billion as at the end of 2015.

Asset structure remained stable while asset quality and liquidity remained satisfactory. In 2016, compositions of the Group's total assets were: cash assets of RMB101.498 billion, mainly including bank balances, clearing settlement funds and transaction deposits, accounting for 41.28%; financing assets of RMB68.483 billion, mainly including advances to financing customers and financial assets held under resale agreements, accounting for 27.85%; financial investment assets of RMB69.539 billion, mainly including investments in subsidiaries, associated companies and financial assets investment, accounting for 28.28%; and operational assets such as other properties and equipment of RMB6.361 billion, mainly including fixed assets, intangible assets and interest receivables, accounting for 2.59%. During the Reporting Period, the Group made corresponding provisions for impairment for financing assets, available-for-sale financial assets, accounts receivable and other receivables subject to impairment while there were no signs of significant impairment for other assets.

The gearing level and operating leverage slightly decreased from the beginning of the year. In 2016, China's capital market stably advanced. A Share market remained weak and fluctuated in 2016, which greatly impacted the trading business resulting in a remarkable decline in the result of securities industry. With the drop in market index and trading volume, the amount of margin financing and securities lending progressively reduced. The Company has also gradually repaid the debt becoming due, which stably reduced the Company's gearing ratio and operating leverage ratio. As at the end of 2016, the gearing ratio of the Group was 62.47%, representing a decrease of 6.19 percentage points as compared with 68.66% as at the end of 2015. (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)); operating leverage ratio was 2.68 times, representing a decrease of 16.46% as compared with 3.21 times as at the beginning of 2016. (Note: operating leverage ratio = (total assets – account payable to brokerage clients)/equity attributable to owners of the Company).



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(iii) Financing channels and capability

The Company maintained a long-term and stable financial policy, focusing on liquidity management of assets and guaranteeing a smooth financing channel. 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 approved by the competent authorities according to market environment and its own needs.

The Company maintained a long-term and stable financial policy, focusing on liquidity management of assets and guaranteeing a smooth financing channel. The Company has established fiduciary relationship with numerous industry participants, including large stated-owned banks and joint-stock commercial banks. As at the End of the Reporting Period, line of credit granted to the Company amounted to approximately RMB250 billion; the cap of borrowing for national inter-bank lending business approved by the People's Bank of China amounted to RMB20 billion; cap for dealer-quoted bond repurchase transactions in interbank bond market amounted to RMB7.62 billion. The Company 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, cash and cash equivalents reduced by RMB404 million from the end of 2015 due to the fact that the cash inflow from the Group's financing activities in 2016 was more than the cash outflow by operating activities and investing activities.

Net cash flow from operating activities increased by RMB46.659 billion to RMB16.342 billion in 2016 from RMB-30.317 billion for the same period of 2015; net cash flow from investing activities amounted to RMB-5.186 billion in 2016, representing a decrease in net outflow of RMB14.735 billion as compared to RMB-19.920 billion in the same period of 2015; net cash flow from financing activities decreased by RMB62.464 billion to RMB-11.585 billion in 2016 from RMB50.879 billion for the same period of 2015; net increase in cash and cash equivalents decreased by RMB1.070 billion to RMB-428 million in 2016 from RMB642 million for the same period of 2015.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(v) Operating revenue and profit analysis

1. Items of income statement

SUMMARY RESULTS OF OPERATIONS

In 2016, the Group realized profit before income tax of RMB6.577 billion, representing a decrease of 49.93% as compared to 2015. Main financial details are listed as follows:

Unit: RMB in million

Item	2016	2015	Change	Year-on-year growth rate
Revenue				
Commission and fee income	7,987.2	17,279.4	-9,292.2	-53.78%
Interest income	7,302.0	11,725.5	-4,423.5	-37.73%
Net investment gains	3,021.0	4,453.6	-1,432.6	-32.17%
Total revenue	18,310.2	33,458.5	-15,148.3	-45.27%
Other income and gains	92.9	300.8	-207.9	-69.11%
Total revenue and other income	18,403.1	33,759.3	-15,356.2	-45.49%
Total expenses	(11,826.5)	(20,625.3)	8,798.8	-42.66%
Share of result of associated companies				
Profit before income tax	6,576.6	13,134.0	-6,557.3	-49.93%
Income tax expense	(1,391.2)	(3,257.3)	1,866.1	-57.29%
Profit for the year	5,185.4	9,876.7	-4,691.2	-47.50%
Net profit attributable to shareholders of the Company	5,153.5	9,835.5	-4,682.0	-47.60%

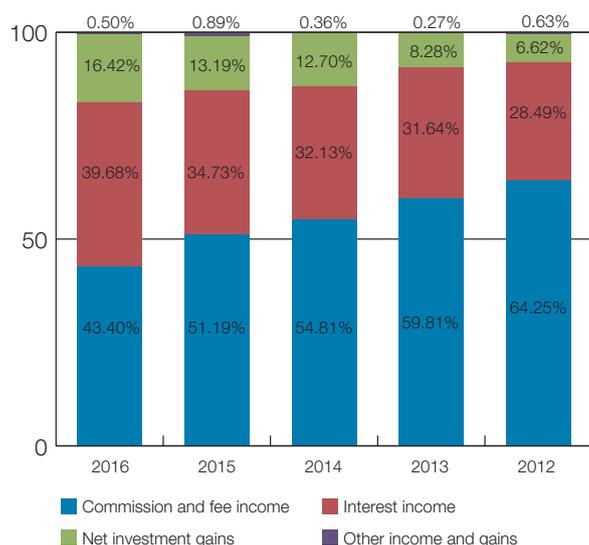
Revenue breakdown

In 2016, the Group's total revenue and other income decreased by 45.49% to RMB18.403 billion as compared to 2015. Among others, commission and fee income accounted for 43.40%, representing a decrease of 7.79 percentage points as compared to 2015; interest income took up 39.68%, representing an increase of 4.95 percentage points as compared to 2015; net investment gains accounted for 16.42%, representing an increase of 3.23 percentage points as compared to 2015. Breakdown of the Group's revenue for the recent five years is listed as follows:

Item	2016	2015	2014	2013	2012
Commission and fee income	43.40%	51.19%	54.81%	59.81%	64.25%
Interest income	39.68%	34.73%	32.13%	31.64%	28.49%
Net investment gains	16.42%	13.19%	12.70%	8.28%	6.62%
Other income and gains	0.50%	0.89%	0.36%	0.27%	0.63%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

The percentage change in the revenue breakdown of the Group for the last five years



From the perspective of change in revenue breakdown, the ratio of revenue from the Company's light-capital business which mainly generates commissions and fee income has been decreasing gradually year-on-year while the ratio of revenue from 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 becoming successful and the Company's revenue breakdown is gradually balancing out.

Commission and fee income

Breakdown of the Group's commission and fee income in 2016 is listed as follows:

Unit: RMB in million

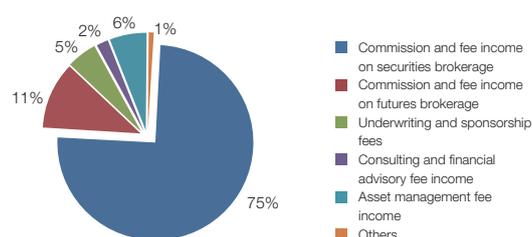
Item	2016	2015	Change	Year-on-year growth rate
Commission and fee income				
Commission and fee income on securities brokerage	5,994.4	15,608.1	-9,613.7	-61.59%
Commission and fee income on futures brokerage	381.1	354.7	26.4	7.45%
Underwriting and sponsorship fees	930.6	584.8	345.8	59.12%
Consulting and financial advisory fee income	136.5	207.9	-71.4	-34.35%
Asset management fee income	453.1	449.1	4.0	0.90%
Others	91.6	74.8	16.7	22.34%
Total commission and fee income	7,987.2	17,279.4	-9,292.2	-53.78%
Commission and fee income expense	279.3	446.7	-167.3	-37.46%
Net commission and fee income	7,707.9	16,832.7	-9,124.9	-54.21%



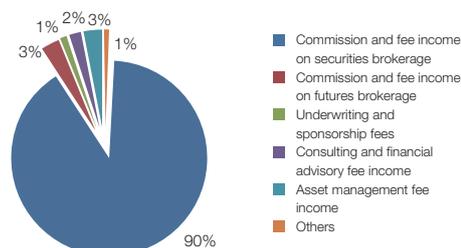
SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

The breakdown of the Group's commission and fee income in 2016 and 2015:

Breakdown of commission and fee income in 2016



Breakdown of commission and fee income in 2015



In 2016, the Group's net commission and fee income amounted to RMB7.708 billion, representing a decrease of 54.21% as compared to 2015, which was mainly due to a decrease in the commission and fee income on securities brokerage.

Commission and fee income on securities brokerage business decreased by RMB9.614 billion or 61.59% as compared to 2015, which was mainly due to the extremely low trading volume in the Chinese stock market and a significant decrease in the daily average trading volume in 2016; therefore, commission and fee income on securities brokerage decreased correspondingly.

Underwriting and sponsorship fee income of investment banking business increased by RMB346 million or 59.12% as compared to 2015, which was primarily due to the acceleration of IPO in 2016, growth in the scale of corporate bond issue and increase in the size of underwriting business of corporate stock and bonds; therefore, underwriting and sponsorship fee income increased.

Investment consulting and financial advisory fee income decreased by RMB71 million or 34.35% as compared to 2015, which was mainly due to decrease in income of financial advisory business referred from asset securitization business of the Company.

Commission and fee income of asset management business increased by RMB4 million or 0.90% as compared to 2015, which was primarily due to improvement in ability of assets management and enlarged business scale compared to 2015.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Interest income

In 2016, the Group realized net interest income of RMB2,462 million, representing a decrease of 47.57% as compared to 2015. Breakdown of the Group's net interest income in 2016 is listed as follows:

Unit: RMB in million

Item	2016	2015	Change	Year-on-year growth rate
Interest income				
Deposits and bank balances with exchanges and non-bank financial institutions	2,539.3	3,972.8	-1,433.6	-36.08%
Advances to customers and securities lending	4,380.0	7,514.5	-3,134.5	-41.71%
Financial assets held under resale agreements	382.8	238.1	144.6	60.72%
Total interest income	7,302.0	11,725.5	-4,423.5	-37.73%
Interest expenses	4,840.3	7,030.0	-2,189.8	-31.15%
Net interest income	2,461.7	4,695.4	-2,233.7	-47.57%

Interest income from deposits and bank balances with exchanges and non-bank financial institutions decreased by RMB1,434 million or 36.08% as compared to 2015, which was primarily due to the decrease in the size of client margin deposits.

Interest income from advances to customers and securities lending decreased by RMB3,135 million or 41.71% as compared to 2015, which was primarily due to decrease in the scale of margin financing and securities lending business.

Interest income from financial assets held under resale agreements increased by RMB145 million or 60.72% as compared to 2015, which was primarily due to enlarged scale of dealer-quoted securities repurchase business.

Interest expenses decreased by RMB2,190 million or 31.15% as compared to 2015, mainly due to the decrease in corporate financing and decrease in interest expenses in 2016.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Net investment gains

In 2016, the Group realized net investment gains of RMB3,021 million, representing a decrease of 32.17% as compared to 2015. Breakdown of the Group's net investment gains in 2016 is listed as follows:

Unit: RMB in million

	2016	2015	Change	Year-on-year growth rate
Investment income/(loss) from the following items				
Available-for-sale financial assets	1,899.6	3,507.3	-1,607.6	-45.84%
Financial assets held for trading	374.7	762.9	-388.2	-50.89%
Derivatives	514.0	572.4	-58.4	-10.20%
Others	232.7	-388.9	621.6	N/A
Total	3,021.0	4,453.6	-1,432.6	-32.17%

The investment income from available-for-sale financial assets decreased by RMB1.608 billion or 45.84% as compared to 2015, mainly due to the larger volatility in the stock market in 2016, the decrease in assets available for sale and at the same time, the decrease in yield rate.

The investment income from financial assets held for trading fell by RMB388 million or 50.89% as compared to 2015, mainly due to the larger volatility in the stock market and bond market in 2016.

The investment income from derivatives is mainly derived from equity swap and index futures revenue, and the Company's derivatives were mainly used to hedge the risk in spot products.

Other investment gains are mainly caused by fluctuations in investment income that are specified as financial liabilities at fair value through profit or loss.

Operating expenses

In 2016, the Group's operating expenses (aside from fee and commission expenses and interest expenses) amounted to RMB6,707 million, representing a decrease of 48.99%. Main compositions of the Group's operating expenses in 2016 are listed as follows:

Unit: RMB in million

Item	2016	2015	Change	Year-on-year growth rate
Operating expenses				
Depreciation and amortization	201.5	184.5	17.0	9.24%
Staff costs	4,427.2	9,559.0	-5,131.8	-53.69%
Other operating expenses	1,825.6	3,263.4	-1,437.8	-44.06%
Impairment losses	252.5	141.6	110.9	78.28%
Total	6,706.8	13,148.5	-6,441.7	-48.99%

Staff costs decreased by RMB5,132 million or 53.69% as compared to 2015, which was primarily due to a decrease in bonus for declining performance in 2016.

Other operating expenses decreased by RMB1,438 million or 44.06% as compared to 2015, which was primarily due to diminution in business scale in 2016.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Impairment losses of assets amounted to RMB253 million, representing an increase of RMB111 million as compared to 2015, details of which are listed as follows.

Unit: RMB in million

Item	2016	2015	Change	Year-on-year growth rate
Impairment losses				
Allowance for/(reversal of) impairment loss in respect of accounts receivable	-5.7	9.1	-14.8	-162.80%
Impairment loss in respect of other receivables	11.3	12.9	-1.6	-12.39%
Impairment loss in respect of available-for-sale financial assets	191.5	30.0	161.5	538.19%
Impairment loss in respect of margin financing and securities lending business	0.1	83.1	-83.0	-99.93%
Impairment loss in respect of financial assets held under resale agreements	55.4	6.5	48.9	750.88%
Total	252.5	141.6	110.9	78.28%

Impairment losses of assets amounted to RMB253 million in 2016, which was mainly due to the Company's impairment losses provision of RMB192 million made for the available-for-sale financial assets in accordance with the relevant accounting policy. Due to the expansion of the Company's financial assets held under resale agreements, the Company recorded impairment losses provision of RMB55 million for the above mentioned.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

2. Asset items

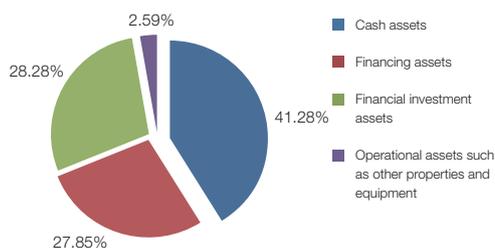
As at 31 December 2016, the total assets of the Group amounted to RMB245.881 billion, representing a decrease of 18.22% as compared to 2015. Among others, cash assets amounted to RMB101.498 billion, representing a decrease of 22.06% as compared to 2015; financing assets amounted to RMB68.483 billion, representing a decrease of 25.50% as compared to 2015; financial investment assets amounted to RMB69.539 billion, representing a decrease of 6.27% as compared to 2015; and operational assets such as other properties and equipment amounted to RMB6.361 billion, representing an increase of 47.77% as compared to 2015. Major changes in the Group's total assets are listed as follows:

Unit: RMB in million

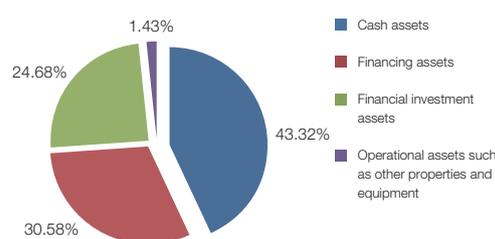
Item	31 December 2016	31 December 2015	Change	Year-on-year growth rate
Total assets				
Cash assets	101,497.5	130,230.2	-28,732.6	-22.06%
Financing assets	68,482.8	91,928.9	-23,446.1	-25.50%
Financial investment assets	69,539.0	74,191.6	-4,652.6	-6.27%
Operational assets such as other properties and equipment	6,361.2	4,304.9	2,056.3	47.77%
Total	245,880.5	300,655.6	-54,775.1	-18.22%

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

Analysis of assets composition in 2016



Analysis of assets composition in 2015



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Cash assets

As at 31 December 2016, the Group's cash assets decreased by RMB28.733 billion or 22.06% as compared to 2015, accounting for 41.28% 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 2016	31 December 2015	Change	Year-on-year growth rate
Cash assets				
Bank balances	69,064.0	102,581.6	-33,517.6	-32.67%
Clearing settlement funds	25,363.4	23,259.6	2,103.9	9.05%
Deposits with exchanges and non-bank financial institutions	7,070.1	4,389.0	2,681.1	61.09%
Total	101,497.5	130,230.2	-28,732.6	-22.06%

The change in cash assets was mainly reflected in bank balances, which amounted to RMB69.064 billion, representing a decrease of 32.67% as compared to 2015. This was mainly due to the repayment of external debts, such as corporate bonds and subordinated debts.

Financing assets

As at 31 December 2016, the Group's financing assets decreased by RMB23.446 billion or 25.50% as compared to 2015, accounting for 27.85% 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 2016	31 December 2015	Change	Year-on-year growth rate
Financing assets				
Advances to customers	55,476.6	70,138.2	-14,661.6	-20.90%
Financial assets held under resale agreements	13,006.2	21,790.7	-8,784.5	-40.31%
Total	68,482.8	91,928.9	-23,446.1	-25.50%

Advances to customers decreased by 20.90% to RMB55.477 billion as compared to 2015, which was primarily due to the decrease in scale of the Group's margin financing and securities lending business as a result of market volatility.

Financial assets held under resale agreements decreased by 40.31% to RMB13.006 billion, which was primarily due to reduction in scale of repurchase of liquid MOF bond of RMB19.5 billion as at the end of the period and at the same time the increase in collateralized stock repurchase of RMB10.8 billion.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Financial investment assets

As at 31 December 2016, the Group's financial investment assets decreased by RMB4.653 billion or 6.27% as compared to 2015, accounting for 28.28% 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 2016	31 December 2015	Change	Year-on-year growth rate
Financial investment assets				
Investment in receivables	3,643.1	3,119.1	524.0	16.80%
Available-for-sale financial assets	36,524.1	32,125.2	4,399.0	13.69%
Financial assets held for trading	27,117.8	37,267.1	-10,149.3	-27.23%
Financial assets designated as at fair value through profit or loss	2,245.5	1,656.7	588.9	35.55%
Derivative financial assets	8.5	23.5	-15.0	-63.98%
Total	69,539.0	74,191.6	-4,652.6	-6.27%

Available-for-sale financial assets: As at 31 December 2016, the Group's available-for-sale financial assets increased by RMB4.399 billion or 13.69% as compared to 2015, accounting for 14.85% 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 2016	31 December 2015	Change	Year-on-year growth rate
Available-for-sale financial assets				
Debt securities	14,608.0	12,753.7	1,854.3	14.54%
Equity securities	5,095.1	2,389.4	2,705.7	113.24%
Funds	4,939.3	3,274.1	1,665.2	50.86%
Other investments	11,881.8	13,708.0	-1,826.2	-13.32%
Total	36,524.1	32,125.2	4,399.0	13.69%

Equity securities increased by RMB2,706 million, mainly due to the fact that, in accordance with the size of the Company's capital, the Company appropriately increased investment in the restricted shares of the first-tier market.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Debt securities increased by RMB1,854 million, mainly due to the increase in the scale of quoted repurchase business of “Daily Profits” (“天天利”) and the increase in purchase of collateral voucher.

Funds increased by RMB1,665 million as compared with the corresponding period of last year, mainly due to the fact that the Company commenced dealer-quoted repurchase business for A-graded funds (“Jinzilai”), which increased the purchase of A-graded funds, and which was used as collateral.

Financial Assets Held for Trading:

As at 31 December 2016, the Group’s financial assets held for trading decreased by RMB10.149 billion or 27.23% as compared to 2015, accounting for 11.05% 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 2016	31 December 2015	Change	Year-on-year growth rate
Financial assets held for trading				
Debt securities	19,597.1	21,714.8	-2,117.7	-9.75%
Equity securities	1,678.8	1,524.8	154.0	10.10%
Funds	5,841.9	14,027.6	-8,185.7	-58.35%
Total	27,117.8	37,267.2	-10,149.4	-27.23%

Debt securities decreased by RMB2,118 million, mainly due to the reduction in interbank deposits of the Company’s liquidity management business; funds decreased by RMB8,186 million, which was due to reduction in monetary fund.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Financial assets designated as at fair value through profit or loss:

As at 31 December 2016, the Group's financial assets designated as at fair value through profit or loss increased by RMB589 million or 35.55% as compared to 2015, accounting for 0.61% 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 2016	31 December 2015	Change	Year-on-year growth rate
Financial assets designated as at fair value through profit or loss				
Convertible bonds	266.2	9.2	257.0	2,802.58%
Equity securities	653.6	1,202.9	-549.3	-45.66%
Funds	0.0	400.3	-400.3	-100.00%
Other investments	1,325.8	44.3	1,281.4	2,889.98%
Total	2,245.5	1,656.7	588.9	35.55%

Convertible bonds increased by RMB257 million, mainly due to increase in investment of convertible bonds; other investments increased by RMB1,281 million, primarily due to introduction of bank wealth management, structural deposits and collective investment management scheme by the Group during the year.

Operational assets such as other properties and equipment

As at 31 December 2016, the Group's operational assets such as other properties and equipment amounted to RMB6,361 million, increased by RMB2,056 million or 47.77% as compared to 2015, accounting for 2.59% of the Group's total assets. The composition of the Group's operational assets such as other properties and equipment as at the date indicated below is listed as follows:

Unit: RMB in million

Item	31 December 2016	31 December 2015	Change	Year-on-year growth rate
Operational assets such as other properties and equipment				
Property and equipment	397.9	450.5	-52.6	-11.68%
Goodwill	223.3	223.3	0.0	0.00%
Other intangible assets	354.2	363.4	-9.1	-2.51%
Deferred tax assets	239.6	131.0	108.6	82.90%
Accounts receivable	774.7	764.0	10.6	1.39%
Other receivables and prepayments	3,708.7	2,372.7	1,336.0	56.31%
Current tax assets	662.7	-	662.7	100%
Total	6,361.2	4,304.9	2,056.3	47.77%

Deferred tax assets increased by RMB109 million, mainly due to the increase in loss from fair value change; the increase of other receivables and prepayments were mainly due to the significant increase in the balance of interest receivables from margin financing and securities lending business as well as the prepaid taxes.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

3. Liability items

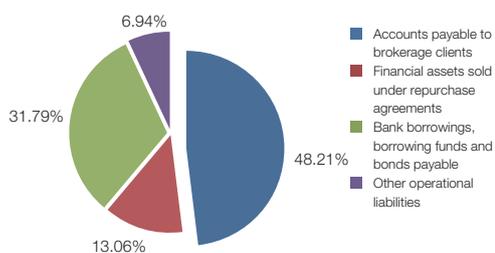
As at 31 December 2016, the Group's total liabilities amounted to RMB187.527 billion, decreased by RMB55.880 billion or 22.96% as compared to 2015. Affected by the capital market movement, the trading volume of A shares market declined in 2016, and the scale of margin financing and securities lending business was significantly reduced compared with that in 2015, which led to the sharp decline of the Company's accounts payable to brokerage clients and the repurchase of financial assets. As at 31 December 2016, accounts payable to brokerage clients was RMB90.404 billion, representing a decrease of 23.38% as compared to 2015; financial assets sold under repurchase agreements was RMB24.495 billion, representing a decrease of 45.39% as compared to 2015, which was primarily due to decrease in settlement funds of brokerage clients and decrease in the scale of margin financing and securities lending income rights transfer business; bank borrowings and borrowing funds was RMB59.616 billion, representing a decrease of 8.93% as compared to 2015, which was mainly due the weaker demand for capital by the Company as well as smaller scale of bond issue. Major changes in the Group's total liabilities are listed as follows:

Unit: RMB in million

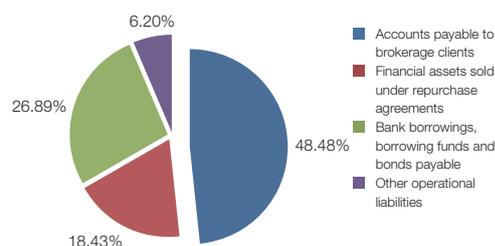
Item	31 December 2016	31 December 2015	Change	Year-on-year growth rate
Liabilities				
Accounts payable to brokerage clients	90,404.2	117,992.2	-27,588.0	-23.38%
Financial assets sold under repurchase agreements	24,494.7	44,852.9	-20,358.2	-45.39%
Bank borrowing and borrowing funds, etc.	59,615.9	65,459.3	-5,843.4	-8.93%
Other operational liabilities	13,011.8	15,101.7	-2,089.9	-13.84%
Total	187,526.6	243,406.1	-55,879.5	-22.96%

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

Analysis of liabilities composition in 2016



Analysis of liabilities composition in 2015





SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Bank borrowings and borrowing funds

Unit: RMB in million

Item	31 December 2016	31 December 2015	Change	Year-on-year growth rate
Bank borrowings and borrowing funds, etc.				
Due to banks and non-bank financial institutions	1,785.4	1,190.5	594.9	49.97%
Financing instrument payables	11,518.1	13,867.9	-2,349.8	-16.94%
Bonds payable	46,312.4	50,400.9	-4,088.5	-8.11%
Total	59,615.9	65,459.3	-5,843.4	-8.93%

The amount payable to banks and non-bank financial institutions was RMB1.785 billion, representing an increase of 49.97% as compared to 2015, which was primarily due to new borrowings by Hong Kong subsidiary. Financial instrument payables were reduced by RMB2.350 billion, mainly due to the maturity of the Company's income certificates issued by the Company in 2015.

Bonds payable decreased by RMB4,089 million year on year, mainly due to the maturity of certain corporate bonds issued by the Company in 2015.

Other operational liabilities

Unit: RMB in million

Item	31 December 2016	31 December 2015	Change	Year-on-year growth rate
Other operational liabilities				
Accrued staff costs	4,036.8	5,543.8	-1,507.0	-27.18%
Other payables and accruals	8,169.0	8,532.0	-363.0	-4.25%
Income tax liabilities	54.5	633.5	-579.0	-91.39%
Financial liabilities held for trading	713.5	51.0	662.5	1,297.95%
Derivative financial liabilities	38.0	341.4	-303.4	-88.87%
Total	13,011.8	15,101.7	-2,089.9	-13.84%

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Accrued staff costs decreased by RMB1.507 billion or 27.18% as compared to 2015, which was primarily due to the decline in the Group's income, which resulted in a reduction in the performance based fee.

Income tax liabilities decreased by RMB579 million or 91.39% year on year, mainly due to the decrease in corporate income tax payable.

Financial liabilities held for trading increased by RMB663 million year on year, representing an increase of 1297.95% over the same period of last year, mainly due to the increase in the issuance of financing instruments bearing floating interest rate and larger scale of securities lending business in 2016.

Derivative financial liabilities decreased by RMB303 million or 88.87% year on year, mainly due to the impact of fluctuating price of derivative financial instrument.

4. Equity items

As at 31 December 2016, the Group's total equity was RMB58.354 billion, representing an increase of 1.93% as compared to 2015. The following table sets forth the composition of the Group's equities for the date indicated:

Unit: RMB in million

Item	31 December 2016	31 December 2015	Change	Year-on-year growth rate
Share capital	9,537.3	9,537.3	0.0	0.00%
Reserves	33,876.3	33,382.4	493.9	1.48%
Retained profits	14,575.0	13,993.9	581.1	4.15%
Non-controlling interests	365.4	335.9	29.5	8.78%
Total	58,353.9	57,249.4	1,104.5	1.93%

5. SEGMENT RESULTS

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. We have 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 our brokerage, sales and trading business line are reflected in three segments: securities brokerage, futures brokerage, proprietary trading and other securities trading services; and the financial results for our investment management business line are reflected in two business segments: asset management and private equity investment. In addition, other segment primarily consists of the interest income from our own bank deposits and our capital management activities, as well as staff costs and administrative expenses related to the management functions of our headquarter.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

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

Unit: RMB in million

	2016		2015	
	Amount	Percentage	Amount	Percentage
Securities brokerage	12,512.1	67.99%	25,574.1	75.75%
Futures brokerage	754.2	4.10%	873.9	2.59%
Proprietary trading and other securities trading services	2,574.6	13.99%	4,695.6	13.91%
Investment banking	1,092.2	5.93%	822.1	2.44%
Asset management	916.8	4.98%	523.9	1.55%
Private equity investment	156.9	0.85%	121.8	0.36%
Overseas business	434.1	2.36%	426.4	1.26%
Others	306.3	1.66%	1,160.9	3.44%
Inter-segment eliminations	-344.1	-1.86%	-439.3	-1.30%
Total	18,403.1	100.00%	33,759.3	100.00%

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

Unit: RMB in million

	2016		2015	
	Amount	Percentage	Amount	Percentage
Securities brokerage	7,493.9	63.37%	15,430.8	74.81%
Futures brokerage	505.0	4.27%	565.8	2.74%
Proprietary trading and other securities trading services	1,856.5	15.70%	1,922.7	9.32%
Investment banking	604.7	5.11%	561.3	2.72%
Asset management	650.9	5.50%	438.0	2.12%
Private equity investment	59.4	0.50%	61.6	0.30%
Overseas business	288.9	2.44%	271.1	1.31%
Others	710.9	6.01%	1,675.4	8.12%
Inter-segment eliminations	-343.9	-2.91%	-301.3	-1.46%
Total	11,826.5	100.00%	20,625.3	100.00%

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

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

Unit: RMB in million

	2016		2015	
	Amount	Percentage	Amount	Percentage
Securities brokerage	5,018.2	76.30%	10,143.3	77.23%
Futures brokerage	249.1	3.79%	308.1	2.35%
Proprietary trading and other securities trading services	718.1	10.92%	2,773.0	21.11%
Investment banking	487.4	7.41%	260.8	1.99%
Asset management	265.9	4.04%	85.9	0.65%
Private equity investment	97.5	1.48%	60.2	0.46%
Overseas business	145.3	2.21%	155.2	1.18%
Others	-404.6	-6.15%	-514.5	-3.92%
Inter-segment eliminations	-0.2	-0.00%	-137.9	-1.05%
Total	6,576.6	100.00%	13,134.0	100.00%

(vi) Contingent liabilities

Nil



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(VII) Analysis of Investments

The Company has no significant equity investment in the current period. The financial assets at fair value are as follows:

Unit: RMB in million

Item	2016/12/31		2016	
	Initial investment cost/nominal value	Fair value	Investment gains	Changes in fair value
Financial assets at fair value through profit or loss	30,036.48	29,363.32	1,681.33	-1,276.32
Available-for-sale financial assets	37,473.09	36,524.14	1,899.65	-1,377.48
Financial liabilities at fair value through profit or loss	712.60	713.50	-1.45	-0.61
Derivative financial instruments	1,427.20	-29.52	208.68	305.29



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(VIII) Analysis on Major Controlled Companies and Investees

1. Galaxy Futures Company Limited has a registered capital of RMB1.2 billion, in which the Company holds an equity interest of 83.32%. Its major business scope is to act as agent for the transactions of all domestic futures varieties, to provide investment consultancy and assets management and other services. As at 31 December 2016, the total assets and net assets of Galaxy Futures were RMB20.797 billion and RMB1.804 billion, respectively. In 2016, it achieved an operating income and a net profit of RMB737 million (Chinese Accounting Standards for Business Enterprises, similarly hereinafter) and RMB183 million (China Accounting Standards for Business Enterprises, similarly hereinafter), respectively.
2. Galaxy Capital Management Company Limited has a registered capital of RMB1 billion, in which the Company holds an equity interest of 100%. Its major business scope is to utilize proceeds from fund raising activities for project investment and investment management. As at 31 December 2016, the total assets and net assets of Galaxy Capital were RMB1.420 billion and RMB1.028 billion, respectively. In 2016, it achieved an operating income and a net profit of RMB141 million and RMB79 million, respectively.
3. Galaxy Jinhui Securities Assets Management Co., Ltd. has a registered capital of RMB500 million, in which the Company holds an equity interest of 100%. Its major business scope is securities assets management. As at 31 December 2016, the total assets and net assets of Galaxy Jinhui were RMB2.113 billion and RMB629 million, respectively. In 2016, it achieved an operating income and a net profit of RMB470 million and RMB59 million, respectively.
4. Galaxy Yuanhui Investment Co., Ltd. has a registered capital of RMB350 million, in which the Company holds an equity interest of 100%. Its major business scope is proprietary investment business (including equity investment or bond investment), or to invest in other investment funds related to equity investment and bond investment, and to carry out other business as approved by CSRC. As at 31 December 2016, the total assets and net assets of Galaxy Yuanhui were RMB365 million and RMB355 million, respectively. In 2016, it achieved an operating income and a net profit of RMB10.8788 million and RMB2.4334 million, respectively.
5. China Galaxy International Financial Holdings Company Limited has a registered capital of HK\$1 billion, in which the Company holds an equity interest of 100%. Its major business scope is to provide securities and futures broker, research, investment banking, asset management, wealth management and loan services in Hong Kong through a number of wholly owned subsidiaries. As at 31 December 2016, the total assets and net assets of Galaxy International Holdings were RMB5.486 billion and RMB1.230 billion, respectively. In 2016, it achieved a net operating income and a net profit of RMB350 million and RMB127 million, respectively.

(IX) Significant Asset Disposal, Acquisition, Swap and Stripping And the Effects of such Activities on the Results of the Company

Nil.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(X) Structured Entities Controlled by the Company

As at 31 December 2016, the Group consolidated 36 structured entities, including asset management plans and partnerships. For asset management plans with the Group as the manager and partnerships with the Group as a general partner or the investment manager, it identifies the controlling right over certain asset management plans and certain partnerships and adopts them into the consolidation after considering the investment decision-making right owned in them, the exposure to variable returns and other factors. As at 31 December 2016, the total assets of the above structured entities adopted into the consolidation were RMB6.592 billion.

(XI) Others

1. Establishment and Disposal of Securities Branches, Branch Offices and Subsidiaries during the Reporting Period

(1) Establishment of Securities Branches and Branch Offices

As at the End of the Reporting Period, the Company had established 36 branch offices and 360 securities branches.

During the Reporting Period, according to the “Approval on the Establishment of 30 Branches by China Galaxy Securities Co., Ltd.” (Jing Zheng Jian Xu Ke [2015] No. 46) issued by CSRC Beijing Bureau in 2015, the Company completed the establishment of 4 securities branches and all of the 30 securities branches approved to be established had opened for operation. In November 2016, the Company obtained the “Approval on the Establishment of 67 Branches by China Galaxy Securities Co., Ltd.” (Jing Zheng Jian Xu Ke [2016] No. 79), approving the Company to establish 67 securities branches in Beijing and other cities. The establishment of new branches is under active preparation.

The Company has constantly adjusted and optimized the branch layout. During the Reporting Period, the Company relocated 24 branches within the same city, including 1 branch office and 23 securities branches, which are Hunan branch office, securities branch in Huaxia Road, Guangzhou, securities branch in Dasha East Road, Guangzhou, securities branch in Lecong, Shunde, Foshan, securities branch in Dongcheng Middle Road, Dongguan, securities branch in Renmin Avenue Middle, Zhanjiang, securities branch in Hudong Middle Road, Maanshan, securities branch in Furong Middle Road, Changsha, securities branch in Yinquan Road, Taizhou, securities branch in North Avenue, Xining, securities branch in Mengzhou Street, Qingyuan, securities branch in Changjiang Road, Tianjin, securities branch in Renmin Avenue, Changchun, securities branch in Bohua Road, Pudong New Area, Shanghai, securities branch in Changde Road, Putuo District, Shanghai, securities branch in Yizhuang, Beijing, securities branch in Longhua, Shenzhen, securities branch in Liangxi Road, Wuxi, securities branch in Jiangbin West Avenue, Hangzhou, securities branch in Hualou Street, Longquan, securities branch in Yingchun South Road, Tonglu, securities branch in Xinchuang Road, Daxie, Ningbo, securities branch in Yingbin Road, Sanya and securities branch in Xiaohe South Road, Lingshi.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

2. Introduction to 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 11 unqualified fund accounts, and recorded 1,834 unqualified fund accounts at the End of the Reporting Period; re-activated 5,122 petty dormant fund accounts, increased 0 petty dormant accounts annually and logged 2,039,226 petty dormant fund accounts at the End of the Reporting Period (including: 538,411 pure fund accounts under management with reference to standards for dormant account management). Apart from that, the Company scored 111 fund accounts judicially frozen at the End of the Reporting Period, increasing by 10 accounts.

Item	At the end of 2015 (RMB Accounts)	At the end of 2016 (RMB Accounts)	Change
Dormant fund accounts	2,044,348 (including pure fund accounts: 290,507)	2,039,226 (including pure fund accounts: 538,411)	Re-activated 5,122. No increase in dormant accounts as CSDC did not conduct securities account freezing in 2016.
Unqualified fund accounts	1,845	1,834	Decreased by 11
Judicially-frozen fund accounts	101	111	Increased by 10
Risk disposition accounts	0	0	



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

3. Business Innovation and its Influence and Risk Control during the Reporting Period

(1) Business Innovation

During the Reporting Period, the new business qualifications obtained by the Company mainly were the qualifications for trading authorities for Hong Kong Stock Connect business under Shenzhen-Hong Kong Stock Connect and for the sale of precious metal products. The Company actively conducted the preparatory work for Shenzhen-Hong Kong Stock Connect and has become one of the first batch of securities brokers obtaining the trading authorities for Hong Kong Stock Connect business. It also publicize and popularize knowledge about Hong Kong Stock Connect business to the public through the official website, WeChat and branches of the Company and guided investors to make rational investments. The Company also actively developed platforms for peripheral transactions for bulk trading and studied the development of “Golden Bulk” bulk trading services, which provided clients with more diversified means for bulk reducing in shareholding. The Company introduced innovative products invested in gold subjects and promoted the Company to conduct physical precious metal business. It has submitted a filing report to the People’s Bank of China and has completed the changes in the scope of business. It has passed the pilot professional review on the market-making business by private equity institutes on the New OTC Board of the National Equities Exchange and Quotations and promoted innovation in the market-making business by private equity institutes on the New OTC Board. The “16 Bin Hu Jian Tou 01”, the first bond of a private equity company on the inter-institute quoted pricing system of the Company, was successfully issued, which expanded the circulation of bonds. The “G16 Neng Xin 1”, the first green corporate bond of the Company, was successfully issued, which initiated featured underwriting. It made applications to stock exchanges on renewable corporate bonds, and the renewable bonds will be expanded from enterprise bonds and medium-term notes to corporate bonds.

(2) 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 IV DISCUSSION AND ANALYSIS ON OPERATION

3) Improvement of the three-tier license management

The Company has established and continuously improved the risk license management system with the three-tier authorization model (from shareholders' 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 determines the level of authorization based on its risk characteristics. The specific risk limit has been formulated through indicators such as business scale, risk value, 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.

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

(I) Competition and Development Trend of the Industry

The capital market remained weak and narrowly fluctuated in 2016. The trading business was greatly shocked and the results of the securities industry declined significantly. The changes in the regulatory policies and market environment drove securities brokers to speed up in transforming from channel businesses into comprehensive financial service businesses. In addition, the license for securities brokers was loosened gradually and a new wave of listing of securities brokers was initiated. It is expected that the securities industry is certain to see increasing competitions. Securities brokers will transform and see differentiated performances in the future development of the industry.

1. Regulatory policies shifted to strengthen risk prevention

The central economic work conference emphasized to give priority to the prevention and controlling of financial risks and focus on the prevention and controlling of asset bubbles to ensure no systematic financial risks. It is expected that strict regulation will remain a theme in the securities industry in 2017.

2. Gradually loosening of licenses

The license for securities brokers was loosened gradually in 2016 and various joint securities brokers were established. The application for the establishment of more than 10 joint securities brokers is under examination. It is expected that the number of joint securities brokers will surge rapidly and they will become a new power in the securities industry. The single operation of investment banking business of joint securities brokers was broken. The licenses for brokerage, proprietary trading, asset management and other businesses were opened to them and their business scopes will be further expanded. The increasing number of joint securities brokers and the expansion of their business scopes will undoubtedly change the competition in the industry, which will bring challenges as well as opportunities to local securities brokers.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

3. A new wave of listing initiated

Securities brokers sped up in financing through listing and initiated a new wave of listing in 2016. As more securities brokers entered the capital market, the overall capital strength of the industry was significantly enhanced and it will gradually enter a new development period.

4. Revenue structure changed, profit model diversified and business transformation sped up

Generally, the revenue structure of the industry in 2016 changed as compared with 2015 and the profit model was diversified. As the business transformation and upgrading sped up, securities brokers actively expanded into sectors with value-added services. The core competitiveness of the securities industry is shifting from the monopoly of channels and licenses to diversified services, technologies and talents. For specific businesses, the brokerage business is seeking “online plus offline” layout. For investment banking, China has become the biggest equity financing market in the world. The Chinese debt financing market is the third biggest following the United States and Japan. The asset securitization in China just started and there are plenty of rooms for development. The margin financing and securities lending business has become normal. Securities pledge business will be a new stream of income. For asset management, the de-leveraging and de-channeling has become a trend. Leading asset management institutes will focus on the exploration and consolidation of interest investment, quantitative investment, asset securitization and other key businesses showing active management capacities.

5. Internationalization of the capital market speeds up, securities brokers actively conduct overseas acquisitions

In 2016, RMB was added to the SDR currency basket. Based on the success of Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect were implemented and Shanghai-London Stock Connect was under active preparation. A Shares are highly expected to be included in the MSCI index. International capitals had higher demands for investing in Chinese stock assets and the internationalization of the Chinese stock market sped up significantly. Chinese securities brokers have conducted overseas acquisitions in recent years. For example, CITIC Securities acquired Credit Lyonnais Securities Asia (CLSA) and KVB Kunlun Financial Group; Haitong Securities acquired Banco Espírito Santo de Investimento (BESI); Everbright Securities acquired securities and wealth management businesses under Sun Hung Kai and Huatai Securities acquired the U.S. AssetMark. Overseas acquisitions promoted the growth of the international businesses of Chinese securities brokers and expanded new industries for competition.

(II) Development strategy of the Company

The Company will adhere to the development target of “building a carrier securities broker and a modern investment bank” and further deepen the development strategy of “One Core, Two Wings and Coordinated Development”. It will grasp the currently rare opportunities in the securities industry and actively respond to the fierce competition to adapt to the new normal in economic growth and the new trend in the development of the securities market. It will promote the coordinated development of big brokerage, big investment banking, big asset management, big investment, Internet and overseas M&As businesses based on the listing of A Shares with the reform of the internal mechanisms as the guarantee to improve the capacities of the Company in serving national strategies and real economies.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(III) Operation plans

In 2016, the Company's market position in traditional businesses consolidated with continuously optimizing investment banking system, satisfactory growth in asset management business, effectively increasing standard on operation of investment business, rapid development in capital-based intermediary services business, more and more support in research and consultancy business and commencement and stable progress in international merger and acquisition. In 2017, the Company will follow the guidance of operation and management: which is to adapt to the new norm of the economy, insist on the general strategy of progress through stability, cooperate and serve the supply-side reform of the country and return to its origin, in which in accordance with the new management concept of comparison (comparing with historical result, comparing with industry performance, and comparing with comparable securities brokers), the Company will be dedicated to increasing core competitiveness, optimizing system and consolidating resources so as to coordinately focus on development in eight major aspects, namely the development of big brokerage, big investment banking, big asset management, big investment, Internet and overseas M&As businesses based on the opportunity coming from the listing of A Shares, together with the protection from internal mechanism reform. By realizing such development in eight major aspects, the Company can ensure to achieve the objective for the year and attain remarkable achievements.

The Company will focus on the following work: stabilizing traditional strengths; actively developing other core businesses; enhancing overall strength; continuing to strengthen our market position in each business segments to align with our position in capital market; building up core competitiveness of our businesses; making stable progress in management; such work provides strong support and protection to our business transformation.

(IV) Potential risks

Major risks affecting the operation of the Company include market risk, credit risk, liquidity risk and operational risk.

In 2016, the Company adopted effective measures to actively address and generally prevent substantial risk events and ensure the safety of business operation of the Company.

1. 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).

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 an 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 permit 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 relative and absolute risks of the portfolios.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

During the Reporting Period, the Company made active use of such ways like risk hedging and limit management, and effectively monitored and managed the position risks of the securities held by the Company. The overall proprietary business risk of the Company was within an acceptable range. As at the End of the Reporting Period, the VaR of the Company's investment portfolio amounted to approximately RMB168 million, only accounting for 0.32% of its net capital.

(2) Interest rate risk

Interest rate risk refers to the risks resulting from the change in market 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.

During the Reporting Period, 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 flow 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 incomes of the Company in its total assets, liabilities and incomes is small, the currency risk actually encountered by the Company is not significant. Nevertheless, with the gradual expansion of our overseas business 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.

2. 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 in a timely manner based on its credit rating. On the other hand, within the duration of business, 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 clients, and identified, reported and dealt with risk of default as early as possible.

As at the End of the Reporting Period, 49.53% of the credit bonds held by the Company had a credit rating of AAA, 49.31% had a credit rating of AA and AA+. There was no default from counterparties. During the Reporting Period, affected by the market volatility, there was 1,565 compulsory close position operation in terms of the margin financing and securities lending business with the size reaching RMB461 million, all of which were standardized disposal procedures agreed in business rules and contracts for implementation of the transaction, while the Company incurred a loss of RMB2,020,700. There was no actual loss in securities-based lending transactions, share pledge repurchase transactions and equity swap transactions. The overall credit risk of the Company was under control.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

3. 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 in 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.

During the Reporting Period, 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.

4. 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.

During the Reporting Period, the overall operational risk of the Company was under control.

(V) Dynamic risk control indicator monitoring and top-up mechanism setup

The Company has a sound organizational system for risk control indicator management. Management and monitoring of risk control indicators, stress test, internal audit review and other related work are carried out by designated staff of related departments. According to the "Administrative Measures for Risk Control Indicators of Securities Companies" and its supporting rules newly released by the CSRC, the Company developed and completed a new risk control indicator dynamic monitoring system in 2016. The operation of the system is more stable with more prompt and accurate information assess and realises real-time and dynamic monitoring and pre-warning of the Company's risk control indicators. In 2016, the Company prepared liquidity risk report on daily basis and calculated and reported the liquidity coverage rate (LCR) of liquidity risk monitoring indicators and net stable fund rate (NSFR) on a monthly basis strictly following the regulatory requirements. In order to prevent any shock and impact on liquidity risk indicators at the end of the period due to various factors such as maturity of large debt, effective measures have been promptly taken, such as short-term borrowings and issue of long-term bond through earlier calculation and 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. The risk control indicator monitoring in 2016 showed that the Company's various risk control indicators continued to conform with regulatory provisions. Through the sensitivity analysis and stress test mechanism, based on the market and business development needs, we regularly and irregularly carried out stress tests and sensitivity analysis, analyzed the conditions which may appear in the future and their impact on the net capital risk control indicator of the Company, and formulated the relevant response measures to ensure that all risk control indicators reached the target levels.



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

The Company established a dynamic top-up mechanism and made long-term top-up plans for net capital. The Company raised short-term capital to increase its liquidity coverage by way of issuing income certificates and the transfer of margin financing and securities lending income rights, etc. It replenished the long-term available stable fund to increase the net stable fund rate through the issuance of long-term corporate bonds. In 2016, the Company followed the three-year capital planning formulated in 2014 to maintain its capital scale to be in line with its market position. The Company adhered to prudent financial principles, managed its balance sheets according to the logical thinking in which 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. We made proper capital allocation and debt financing arrangements. When the capital adequacy target continued to fall or there were potentially significant adverse factors, the Company could start the financing programme at an appropriate time based on the market conditions to guarantee the level of the capital adequacy. As at the end of December 2016, the Company topped up RMB2.9 billion of capital by way of long-term subordinated debts. In January 2017, the A Shares IPO of the Company raised RMB3.954 billion and it further enhanced its net capital strength.

(VI) 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.

1. 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 actual 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 connected transactions and carries out the daily management work 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 IV DISCUSSION AND ANALYSIS ON OPERATION

2. 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.

3. 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 departments; 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.

4. 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 liquidity 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 IV DISCUSSION AND ANALYSIS ON OPERATION

(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 operational management 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.

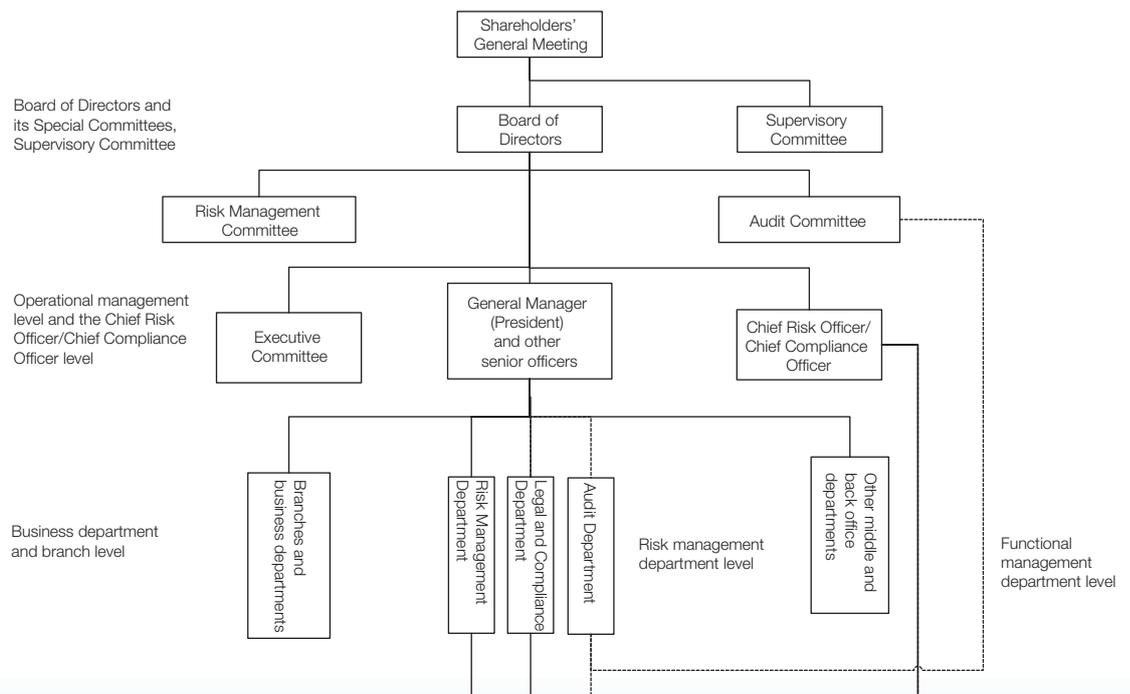
5. RISK MANAGEMENT AT BRANCH LEVEL

(1) Branch Executives

The general manager of each branch is responsible for the branch's risk management, and is the first responsible person 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.





SECTION V DIRECTORS' REPORT

I. MAJOR BUSINESS AND BUSINESS OVERVIEW OF THE COMPANY

For details of the overall operation of the Company during the Reporting Period, future business development of the Company and the major risks faced by the Company, please refer to Section "IV. Discussion and Analysis on Operation – I. Management Discussion and Analysis, II. Major Operation During the Reporting Period, and III. Discussion and Analysis on Future Development of the Company" in this report. For details of the major events after the end of financial year, please refer to "Section VI. Other Significant Events – VI Other Significant Events".

For the environmental policies and performance of the Company, please refer to "Section XV. Other Disclosures – (viii) Performance of Social Responsibilities" of this section. For details of the Company's compliance with the laws and regulations having major impact on the Company, please refer to "Section IX. Corporate Governance Report – IX. Development of Compliance Management System, and Inspection and Audit Completed by the Compliance Department and the Audit Department During the Reporting Period" in this report.

For details of the relationship between the Company and its employees and customers and others having material influence on the Company, please refer to "Section VIII. Directors, Supervisors, Senior Management and Staff – VI. Staff and Remuneration" and "Section XV. Other Disclosures – (viii) Performance of Social Responsibilities" of this section.

The contents above form part of the directors' report.

II. ORDINARY SHARE PROFIT DISTRIBUTION PLAN

(i) Profit Distribution for 2015

The "Resolution on the Profit Distribution Plan for 2015" was passed at the annual general meeting of the Company held on 6 June 2016, pursuant to which the Company was approved to pay the 2015 final dividend to holders of Domestic Shares and holders of H Shares whose names appeared on the register of members of the Company on the record date. The cash dividend was denominated and declared in RMB, and payable in RMB to holders of Domestic Shares and in Hong Kong dollars to holders of H Shares, respectively. The actual amount distributed in Hong Kong dollars was calculated based on the average benchmark exchange rate of RMB against Hong Kong dollars announced by the People's Bank of China the five working days prior to the date of the 2015 annual general meeting of the Company (i.e. RMB0.84679 = HK\$1.00), and cash dividend per H Share payable to holders of H Shares was HK\$0.387567 (inclusive of tax). The profit distribution for 2015 of the Company was completed in August 2016.



SECTION V DIRECTORS' REPORT

(ii) Ordinary Share Profit Distribution Plan or Preparation Plan for the Reporting Period of the Company

As audited and confirmed by the auditors, the Company recorded net profit of RMB4,653,511,583.85 for 2016.

1. According to the requirements of the "Company Law", the "Securities Law", the "Financial Rules for Financial Enterprises" and the "Articles of Association", profit distribution in respect of the undistributed profits for 2016 of the Company will be made in accordance with the following arrangements:

- (1) Allocating 10%, being RMB465,351,158.39 to the statutory reserve;
- (2) Allocating 10% respectively, totally being RMB930,702,316.77 to the general risk reserve and the transaction risk reserve;

After setting aside the reserves above, the profit available for distribution to shareholders for 2016 amounted to RMB3,257,458,108.69.



SECTION V DIRECTORS' REPORT

2. Taking into account of the Company's long-term development and the interests of shareholders, the following distribution plan was proposed:
 - (1) The Company proposes to distribute cash dividend of RMB1,571,275,107.34 (inclusive of tax) for 2016, representing 48.24% of profit available for distribution to shareholders for the year and 30.49% of net profit attributable to owners of the Company for the year 2016. Based on the total share capital of 10,137,258,757 shares upon A Share IPO in January 2017, cash dividend per 10 shares will be RMB1.55 (inclusive of tax and the actual amount distributed may be different due to rounding). In case of any changes in the total share capital of the Company on the record date by reason of placing or repurchase, the amount of cash dividend per share will be adjusted accordingly, up to a total of RMB1,571,275,107.34 (inclusive of tax).
 - (2) The cash dividends will be denominated and declared in RMB, and paid in RMB and in Hong Kong dollars to holders of A 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 dollars announced by the People's Bank of China the five working days prior to the date of the annual general meeting of the Company.

Subject to approval of the resolutions relating to the 2016 profit distribution plan by the annual general meeting, the cash dividends will be paid within two months from the date of the annual general meeting (expected to be paid not later than 31 August 2017).

The Company will announce in due course the date of the 2016 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 2016 annual general meeting. The Company will make further notice on the record date in relation to the entitlement to the H Shares dividends, the closure date of its register of members and date of distribution of dividends.



SECTION V DIRECTORS' REPORT

III. Bonds Issue

- (1) As at 31 December 2016, the Company publicly issued tranche 1 of corporate bonds for 2016 and tranche 2 of corporate bonds for 2014, totalling RMB8 billion, both were listed on the SSE, details of which are set out below:

Name	Size of issue (in RMB 100 million)	Proposed use	Date of commencement	Date of expiry	Term	Interest rate
Public issue of corporate bonds for 2016 (category 1)	49	Replenishment of working capital	2016/6/1	2019/6/1	1,095 days	3.10%
Public issue of corporate bonds for 2016 (category 2)	6	Replenishment of working capital	2016/6/1	2021/6/1	1,826 days	3.35%
Tranche 2 of corporate bonds for 2014 (category 1)	15	Replenishment of working capital	2016/8/23	2019/8/23	1,095 days	2.89%
Tranche 2 of corporate bonds for 2014 (category 2)	10	Replenishment of working capital	2016/8/23	2021/8/23	1,826 days	3.14%

- (2) As at 31 December 2016, the Company non-publicly issued tranches 1 and 2 of corporate bonds for 2016, totalling RMB7.5 billion, details of which are set out below:

Name	Size of issue (in RMB 100 million)	Proposed use	Date of commencement	Date of expiry	Term	Interest rate
Non-public issue of tranche 1 of corporate bonds for 2016	35	Replenishment of working capital	2016/9/19	2019/9/19	1,095 days	3.18%
Non-public issue of tranche 2 of corporate bonds for 2016	40	Replenishment of working capital	2016/10/24	2018/10/24	730 days	3.15%

- (3) As at 31 December 2016, the Company non-publicly issued tranche 1 of short-term corporate bonds for 2016, totalling RMB3 billion, details of which are set out below:

Name	Size of issue (in RMB 100 million)	Proposed use	Date of commencement	Date of expiry	Term	Interest rate
Tranche 1 of securities company short-term corporate bonds for 2016	30	Replenishment of working capital	2016/11/23	2017/8/20	270 days	3.50%

- (4) As at 31 December 2016, the Galaxy Futures issued tranche 1 of subordinated bonds for 2016, totalling RMB300 million, details of which are set out below:

Name	Size of issue (in RMB 100 million)	Proposed use	Date of commencement	Date of expiry	Term	Interest rate
Tranche 1 of subordinated bond for 2016	3	Replenishment of working capital	2016/3/15	2021/3/14	1,825 days	4.30%

- (5) On 15 December 2016, the Company received the letter of no objection from the SSE in relation to the non-public issue of securities company short-term corporate bonds of RMB27 billion and the non-public issue of corporate bonds of RMB20 billion, which is effective for a term of one year.



SECTION V DIRECTORS' REPORT

IV. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in "III. Bonds Issue" in this section, none of the Company or its subsidiaries had purchased sold or redeemed any listed securities of the Company during the Reporting Period.

V. LIST OF DIRECTORS AND CHANGE OF DIRECTOR'S DETAILS

For the list of Directors and change of Director's details, please refer to "Section VIII. Directors, Supervisors, Senior Management and Staff" in this report.

VI. 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).

All Directors have entered into a letter of appointment with the Company for a term of three years. The letter of appointment for Chen Gongyan, Chairman, is effective from 18 October 2016 to the expiry date of the term of office of the third session of the Board, and each of the letters of appointment for other Directors is effective from 29 June 2015 to the expiry date of the term of office of the third session of the Board. Each Director is eligible for re-election upon the expiration of the term.

Independent Directors are also subject to the requirements regarding term of office of independent Director under the PRC laws and regulations, as well as the Articles of Association.

VII. DIRECTORS', SUPERVISORS' (AND THEIR CONNECTED ENTITIES) INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Reporting Period and as at the end of the Reporting Period, none of the Directors or Supervisors (or their connected entities) has any direct or indirect material interest in any material transaction, arrangement or contract entered into by the Company or any of its subsidiaries.

VIII. 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.

IX. RIGHTS OF THE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period and as at the End of the Reporting Period, there was no arrangement to which the Company, its subsidiary or holding company or a subsidiary of its holding company is a party and the purpose or one of the purposes of which was to benefit any Director, Supervisor, their respective spouses or any of their minor children under 18 years of age through acquisition of any shares or debentures of the Company or any other body corporation.



SECTION V DIRECTORS' REPORT

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

As described in the “Voluntary Announcement of Participation of Directors, Supervisors, Senior Management and Employees in a Collective Investment Scheme” of the Company dated 9 July 2015, Directors, Supervisors, senior management of the Company who satisfy certain conditions are planning to voluntarily invest, with their own funds, in a collective investment scheme (i.e., Galaxy Wenhui products (“銀河穩匯產品”)) which will be offered to all customers of the Company and intended to primarily invest in H Shares of the Company (as well as other securities). The collective investment scheme shall be implemented by the independent manager of the scheme at his/her absolute discretion, including but not limited to adjustment to investment portfolio and purchase and disposal of investment products). As at the End of the Reporting Period, according to disclosure from the scheme’s manager, the balance of the Directors, Supervisors and senior management of the Company in the collective investment scheme was RMB100,000. The Directors, Supervisors and senior management are not aware of the number of H Shares of the Company included in the collective investment scheme.

Save as disclosed above, as at the End of the Reporting Period, based on the information available to the Company and so far as the Directors are aware, 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.

XI. 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.

XII. PERMITTED INDEMNITY PROVISION

At no time during the Reporting Period and up to the date of this report, there was or is, any permitted indemnity provision (whether made by the Company or otherwise) being in force beneficial to any of the Directors or director of an associated company.

The Company has purchased and maintained Directors' and senior management' liability insurance throughout the Reporting Period, which provides appropriate protection over certain legal actions brought against its Directors and senior management.



SECTION V DIRECTORS' REPORT

XIII. EQUITY-LINKED AGREEMENT

As at the End of the Reporting Period, the Company had not entered into any equity-linked agreement.

XIV. MAJOR CONTRACTS BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER

For details of the major contracts between the Company and its subsidiaries and the controlling shareholder and its subsidiaries during the Reporting Period, please refer to "Section VI. Other Significant Events – IV. Material Connected Transactions" in this report.

XV. 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 H Shares which satisfies the relevant requirements of the Stock Exchange Listing Rules.

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

Nil.

(iv) Information on Tax relief and exemption

Holders of A shares

Pursuant to the Notice of the Ministry of Finance, the State Administration of Taxation and China Securities Regulatory Commission on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2012] No. 85), For individual shareholders of the Company with the stock holding period (being the period from the date on which the individual shareholder acquires the stocks of a listed company from public offering of the company or from the stock market to the date preceding the date on which such individual shareholder disposes of such shares) of one month or less (one month inclusive), the incomes from dividends and bonuses shall be included into the taxable incomes in full amount (i.e., at an effective rate of 20%); if the stock holding period is more than one month up to one year (one year inclusive), the incomes from dividends and bonuses shall be included into the taxable incomes at the reduced rate of 50% for the time being (i.e., at an effective rate of 10%), and if the stock holding period is more than one year, the incomes from dividends and bonuses shall be included into the taxable incomes at the reduced rate of 25% (i.e., at an effective rate of 5%). When a dividend is paid by a listed company, the personal income tax shall be deducted at the rate of 5% for the individual shareholders of the company. When an individual transfers the shares, the securities registration and settlement company shall calculate the actual taxable amount according to his/her holding period. The excess of tax payable over the actual tax payment shall be withheld by the company separately through the securities registration and settlement company. Individual income tax shall be paid for incomes from dividends and bonuses received by securities investment funds from listed companies in accordance with the requirements of Cai Shui [2012] No. 85. For the shareholders of a resident enterprise, the cash dividend income tax shall be paid by the shareholders themselves.



SECTION V DIRECTORS' REPORT

For QFII, according to the “Circular of the State Administration of Taxation on Relevant Issues Concerning the Payment of Dividends, Bonuses and Interest Withholding of Enterprise Income Tax to QFII by Chinese Resident Enterprises” (Guo Shui Han [2009] No. 47), a listed company shall withhold the enterprise income tax at the rate of 10%. If a preferential tax treaty (arrangement) treatment is applicable to the income of a QFII shareholder from dividends and bonuses, such QFII shareholder may apply for tax refund to the competent taxation authority in accordance with the relevant provisions upon receiving the dividends and bonuses.

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 Han [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 Shareholders 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%. According to the current practice of the Hong Kong Inland Revenue Department, no taxation is required to be paid on dividends paid by the Company in Hong Kong.



SECTION V DIRECTORS' REPORT

(v) Reserves and distributable profit reserves

For the movement of reserves and distributable profit reserves, please refer to the Consolidated Financial Statements of this report and their accompanying notes.

(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 are located in the PRC. The Company expects the number of overseas clients to increase as it expands to overseas markets. In 2016, 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 Consolidated 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, effectively 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 regulated the registration and use of its trademarks and strengthened the registration and management of such trademark, strived for the registration of important trademarks of the Company, commenced the registration of trademarks in the relevant overseas regions, established trademark management rules, which further enhances the protection of intangible assets of the Company. Secondly, the Company has improved the usage of its commercial word library. Thirdly, the Company regulated the use of business gallery of the Company. Fourthly, the Company has improved its VI (visual image) management and made timely amendments to the VI manual to standardize the use and management of the Company's logos. Fifthly, the Company has spread enterprise culture and provided a communication platform for employees through its intra-company publication "Galaxy", website, party, communist youth league, trade union and various levels of organizations.
- (2) Make full use of industry media and the Company's own platform to enhance brand advertisement and strengthen external communication, and output positive message through various methods and channels. First, the Company makes full use of its website for publicity. Second, the Company establishes a good corporate brand image through active participation in the activities arranged by regulatory authorities and trade associations and relevant media promotion.



SECTION V DIRECTORS' REPORT

2. The Company actively promotes environmental protection concept and implements low carbon and energy saving policy

The Company strictly follows the national environmental protection related laws and regulations when doing daily production and operation, and actively promotes the concept of environmental protection and puts into action in emissions, resource consumption, green travel. There was no major environmental issues during the Reporting Period.

The Company emissions are mainly from greenhouse gases generated by the use of energy, domestic sewage, office and daily garbage generated by daily office work and other non-toxic waste. The Company has formulated a greenhouse gas emission reduction system and a greenhouse gas emission reduction plan to reduce greenhouse gas emissions. The Company promotes water saving during daily operation and gives domestic sewage and domestic waste produced to property and municipal services for handling.

The Company advocates green office and has developed a series of rules and regulations to reduce resource consumption and reduce energy consumption, such as encouraging paperless office, promoting the use of FSC certified paper, paying attention to office supplies, actively using video conferencing to reduce travel, arranging business vehicles in reasonable manner, etc., to maximize the conservation of resources, to save the Company and the society resources and to contribute to the building of an environment-friendly society. The 2016 renovation office area, total area about 6,000 square meters, all adopted LED energy-saving light source.

The Company actively promotes green travel, encouraging all employees to use public transport "low-carbon travel" to reduce greenhouse gas emissions caused by traveling.

As a member of the Standing Committee of the Green Finance Committee, China Society for Finance & Banking, the Company actively advocates and promotes green finance, participates actively different jobs which is about formulation of industry standards and promotion of market development and combines them with the specific business of the Company, sets green bond as the focus of innovation of bond business of the Company, and explores actively the green bond underwriting business. In July 2016, the Company's exclusive underwriting of Huaneng Renewables Corporation Limited's 2016 green corporate bonds bookkeeping issued. The issue size is RMB1.14 billion. The bond is the first green bonds issued by central enterprise, and will further develop China's green bond market and play a positive guide and demonstration role.

3. 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 internal enterprise management and do security and stability maintenance work well. First, adhere to the principle of "prevention first, active prevention", establish a sound system and improve measures in order to realize accountability. We should raise political sensitivity and focus on security and stability maintenance work during key sensitive periods and key activities including the "two sessions", the G20 summit and the Sixth Plenary Session of the Eighteenth Central Committee of the Party. Second, seriously implement the guiding principle for fire-fighting of "prevention first and combination of prevention and fighting", and strengthen trainings to all staff on fire-fighting knowledge and management of fire-fighting facilities and equipment at the headquarters of the Company. Third, improve security and fire safety awareness of staff through trainings on safety knowledge provided to new staff at the headquarters of the Company.
- (3) Formulate emergency treatment measures, regularly carry out safety drills, and amend and improve emergency plans from time to time. Deal with all kinds of emergencies to prevent the occurrence of various social stability events.



SECTION V DIRECTORS' REPORT

- (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 comprehensive safety management and production rules and regulations, including the "Information Safety Protection Management Measures", and the "Information System Operation and Maintenance Management Measures", which are scientific, complete and operable and meet the needs of business development, 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 2016. The Company provides resources to support the operation and maintenance of its information and technology system and ensure the safe operation and protect the interests of investors to the maximum.

4. The Company safeguards the rights and interests of investors, emphasizes the education of investors

- (1) The Company actively fulfilled corporate social responsibility by offering cooperation with the China Securities Regulatory Commission Beijing Bureau in co-organizing investor right protection public welfare activities with the theme of "Making Rational Investments and Guarding Wealth".

During the period from September to December 2016, in order to guide investors to establish a rational investment philosophy, to raise awareness of risk prevention, and to effectively protect the legitimate rights and interests of investors, the Company, as an co-organizer, participated in the investor right protection public welfare activities with the theme of "Making Rational Investments and Guarding Wealth" held by the China Securities Regulatory Commission Beijing Bureau and Beijing Municipal Bureau of Finance. In a series of public activities, the Company planned for and organized the launch ceremony and the summary conference, hosted special promotional activities with the theme of "Diversified dispute resolution mechanism", and won the award of "Best Organizer" at such activities.

- (2) The Company organized investor education activities.

In 2016, in order to consistently follow the "Opinions on Further Strengthening the Protection of Legal Rights and Interests of Medium and Small-sized Investors in the Capital Market" issued by the General office of the State Council and the spirits of the National Securities and Futures Supervision Conference for 2016, the Company carried out investor education activities with the theme of "Making Rational Investments and Guarding Wealth". These activities had helped investors further establish rational investment mind, improved their ability to identify and prevent risks and better protected the lawful interest of investors. Details of the regular investor education activities conducted by the Group in 2016 were as follows:

- (1) From March to May 2016, the Company carried out two-month activities with the theme of "Making Rational Investments and Guarding Wealth – 3.15 Investor Rights Protection Month". In addition to the themed activities, the Company also conducted extensive publicity through multiple channels and methods to guide investors in making rational investments by leveraging the "First Open Class from Chief Economist" and "Making Rational Investments and Guarding Wealth" short videos and the "Sharing My Investment Story" work collection.
- (2) From September to October 2016, in order to strengthen the sense of securities practitioners of investor protection responsibility and enhance the investors' understanding of their own rights and obligations, the Company carried out the "Popularization of Investor Protection Knowledge" investor education activity. The activity focused on providing knowledge on investor protection including investor suitability system, investors' rights and obligations, securities dispute's diversified resolution mechanism and prevention of illegal securities activities. By various means including designing and distributing brochures, organizing "Investor Protection Knowledge Q&A" and providing special education products for investor protection, these activities further expanded the scope of publicity about investor protection knowledge and guided investors to conduct self-teaching.



SECTION V DIRECTORS' REPORT

- (3) From November to December 2016, in order to protect the lawful interests of investors and raise investors' awareness against and their ability to identify illegal securities activities, the Company organized one-month promotion activities with a theme of "staying away from illegal securities activities and passing on positive energy". It educated investors about the features, hazards and typical cases of illegal securities activities through multiple online and off-line methods in order to improve the investors' ability to identify and prevent illegal securities activities. In 2016, the Company strengthened education for investors in its designated poverty alleviation area on fighting against illegal securities activities in line with local actual situations, which had generated positive effects.
- (3) The Company carries out investor education and services by adhering to its core principle of suitability sales and suitability services.
- (1) In light of its business development needs, the Company further regulated and improved its investor suitability management and education. In 2016, the Company improved its private equity fund sales process in accordance with the Administrative Measures for Private Equity Fund-raising Activities; amended and circulated the Implementation Rules for Customer Suitability Management of China Galaxy Securities Co., Ltd. (2016 Revision) and the Implementation Rules for Hong Kong Stock Connect Business Investor Education of China Galaxy Securities Co., Ltd. (2016 Revision) in accordance with suitability management requirements for the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect business; commenced the preparations for the guidelines for suitability management and investor education for structured funds investors in accordance with the structured fund business guidelines issued by the SSE and the SZSE; and commenced the preparations for the guidelines for suitability management and investor education for bond pledge repurchase transaction investors in accordance with the settlement risk control guidelines for bond pledge repurchase transactions issued by China Securities Depository and Clearing Company Limited, the SSE and the SZSE.
- (2) It actively carried out inspection and internal training in accordance with the suitability management requirements for key business. In May 2016, the Company organized the classification and closure of customer accounts for which the status for GEM trading application is "pending", and further improved its GEM counter business operation process in accordance with its business conducting requirements. In September 2016, the Company conducted internal suitability management self-inspection in order to implement the requirements of investor suitability management and in accordance with the arrangement of the SSE. In December 2016, the Company carried out internal training on investor suitability management and customer securities trading management at all branches through video training, in order to further improve the practitioners at its branches to effectively implement investor suitability management and customer securities trading management
- (4) 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 "I'm a Shareholder", "Accessing Listed Companies" through various channels and by various means, and promoted the importance of the shareholders' rights 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. In 2016, the Company organized 9 "Accessing Listed Companies" activities for investors and successfully held two "I'm a Shareholder" special brokerage activities.



SECTION V DIRECTORS' REPORT

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

In 2016, 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. It also actively participated in survey of managers' confidence at securities branches.

- (6) The Company organized the third session of "China Galaxy Cup" finance challenge games for national college students, aiming to providing investor education to college youths.

In order to educate and protect investors who are youth groups in colleges, the Company partnered with Royal Flush Information Network Co., Ltd. to hold the third session of "China Galaxy Cup" (中國銀河杯) finance challenge games from September to December 2016. More than 54,000 people from over 2,300 colleges and universities participated in individual competitions, and more than 400 college teams participated in group competitions. During the event, the Company arranged professionals to conduct on-site investor education activities for participating students at renowned universities including 135 well-known universities including Sun Yat-sen University, Zhejiang University, Shandong University, Sichuan University, Northeastern University, Shenzhen University, South China University of Technology and Beijing Normal University, in order to help students understand the capital early and establish rational investment mind and to cultivate the future market participants of the PRC capital market, which has played a positive role in enhancing brand awareness and social influence of the Company and also demonstrated its spirits of taking the initiative to conduct investor education and actively performing its social responsibilities.

5. The Company strived to improve customer services

With customers' needs-oriented goals, the Company seized development opportunities in the market to actively improve customer services to increase business revenue, to promote the transformation of revenue structure and to improve operational performance.

- (1) Improving customer service system to enhance the ability to serve customers

The Company continued to optimise the supporting system for its "Jiutian Wealth" customer service system. In addition, it continued to promote the "Jiutian Wealth" customer service system at its branches through means of personal service process appraisal and quality inspections, and the APP installation rate of its mobile work platform among its staff at securities branches reached over 90%. The customer service system stimulated the vitality of its service staff and significantly improved their overall services. As a result, customer loyalty was enhanced and a strong competitive advantage was formed.

- (2) Actively advancing business transformation and capturing market opportunities while focusing on customers' needs and asset allocation to promote rapid growth of margin financing and securities lending, sale of financial products and new account opening

It promoted the sales of financial products through marketing activities. At the beginning of the year, the Company organized the "New Starting Point • New Leap" Semi-annual Product Marketing Contest (「新起點•新跨越」雙季產品營銷競賽) and "Easy Trading & Easy Financing" (「易交易•易融資」) continuous marketing activity. Amid market adjustment in 2016, the Company's revenue from product sales performed significantly better than the average level of the overall brokerage business. Its financial product distribution continued to maintain a healthy development momentum. Its product appraisal and introduction was professional and objective, supported by accurate and efficient marketing and attentive customer services. The Company strictly controlled risk events and adhered to the bottom line of compliance practice.



SECTION V DIRECTORS' REPORT

In 2016, the Company obtained over 1.2 million new customers and provided more investors with securities trading services, product configuration services, wealth management services and investment and financing services, which has played a professional role as a securities company in the preservation and appreciation of wealth of investors and serving local real economy, and has laid a solid customer base in preparation for the listing of the A Shares of the Company and improving its size and revenue. In active response to the policy adjustment of “one person with a maximum of three accounts”, the Company simplified its business handling process and strengthened business innovations to ensure rapid business growth. Such measures have effectively enhanced customers' experience and realized the online-offline combination by leveraging the business and network advantages of the Internet to provide investors with better services.

- (3) Developing innovative business such as Hong Kong Stock Connect and stock options and successfully launching the Shenzhen-Hong Kong Stock Connect business to provide customers with more business services
 - (1) The Company actively developed the Hong Kong Stock Connect business and seized the opportunities brought by the launch of Hong Kong Stock Connect. It actively communicated with customers, conducted business training, and won strong attention from investors.
 - (2) In 2016, the SZSE launched the Shenzhen-Hong Kong Stock Connect business. The Company has established a special working group, completed technical tests of the exchange, and launched the Hong Kong Stock Connect transaction services under the Shenzhen-Hong Kong Stock Connect as scheduled to provide investors with services. It also publicized and popularized the business knowledge on the Hong Kong Stock Connect to the public through a number of channels including its official website, WeChat and the on-site investor education area in its securities branches in order to guide investors to rational investment.
 - (3) Since the launch of stock option products in the PRC market, its trading volume has been on a steady upward trend, providing a flexible asset allocation and risk management tools for domestic investors. In order to help customers better understand stock options and related investments and to provide them with more services, the Company partnered with the SSE and held 13 “Option Lessons” on-site investor education activities in its core business regions including Beijing, Shanghai, Shenzhen, Zhejiang and Wuhan, etc. The lessons covered basic knowledge, trading rules and risks, market analysis and common basic strategies, and combined the elements of option contracts with vivid examples in real life. The explanation in simple terms enabled visiting customers to quickly understand the characteristics of stock options and how to take the first step in the practice of options. The event attracted nearly 3,200 participating customers and received enthusiastic response. The “Option Lessons” event was an important form for the Company to promote stock options and educate investors. In the future, the Company will continue to enhance its cooperation with the SSE and various institutions to better develop stock option business and serve customers.



SECTION V DIRECTORS' REPORT

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

- (1) In 2016, the Company continued to respond 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 237 college graduates throughout the year. In addition, the Company widely attracted talents in the form of social recruitment and employed 1,743 persons from the society throughout the year.
- (2) 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 2016, approximately 1,000 college students had worked as interns at the Company.

In addition, the Company retained and allocated core personnel urgently needed for business through internal and external recruitment channels and internal deployment to support the Company's strategic transformation, to cope with the rapid growth of the New OTC Board and internet financial business, and to enhance the core competitiveness of the key business of the Company. 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.

7. The Company adheres to the people-oriented philosophy and uses marketization as a guide to protect the legitimate rights and interests of employees in accordance with the law and boost scientific management of human resources

- (1) In order to effectively promote the scientific management of human resources, the Company has established a fully-marketized performance management mechanism and talent development mechanism. Its compensation allocation is performance-oriented and aims to achieve division of performance targets by level and interaction among levels about appraisal results. Its compensation allocation tilts towards “high performance”; bonuses vary and promotions and demotions are conducted according to the performance appraisal. A marketized rank management mechanism has been established to accelerate the promotion of outstanding young employees and standardize the promotion conditions of employees at medium and high levels so as to realize diversified development of talents.
- (2) In order to effectively improve the overall quality of employees, thereby improving customer satisfaction and income contribution, contributing to the development of the securities industry talents and achieving the “win-win-win” for its customers, employees and Shareholders, the Company carried out various training in 2016.
 - (1) According to staff development and job requirements, the Company actively selected employees to participate in policies and regulations, security education and business and job training provided by Securities Association of China, Beijing Securities Industry Association, National Association of Financial Market Institutional Investors, the SSE, the SZSE and China Financial Training Center and other intuitions and educational organizations.
 - (2) In response to China's “One Belt and One Road” economic development strategy and in view of the actual situations in Xinjiang and Guizhou, the Company held two 5-day advanced seminars on financial development and financial innovation during the period from 29 August 2016 to 7 September 2016. The training was provided in a combination of internal and external training, mostly external training. The main external courses were taught by well-known experts and professors at Tsinghua University and the internal courses were taught by heads of the relevant departments of the Company. The training had a positive role for the Company to serve the governments and enterprises in Xinjiang Autonomous Region and Guizhou and promote local economic and social development in Xinjiang and Guizhou.



SECTION V DIRECTORS' REPORT

(3) In order to improve and enhance its standardized services including service process, service etiquette, service environment and service information, to further regulate the management standards for its securities branches including system standards, decision-making standards, personnel standards, implementation standards, job specifications, safety management and emergency management, the Company organized three on-site “Standardized service and standardized management” (the “Two Standards”) business exchange training sessions at its securities branches. During such period, in-depth analysis and discussions about “implementing consistent management concept, standardizing service behaviour and improving professional service level and customer satisfaction” were conducted, in order to play the leading role of model securities branches, to help pilot securities branches improve the “Two Standards” work, and to solve the problems encountered by pilot securities branches in the “Two Standards” work, to improve the quality of staff and professional service ability to realize improvement in both “external shape and internal spirits”, so as to effectively improve the operating efficiency of the Company, to fully build the services with outstanding “shape and soul”, and to excel in creating values for customers and allocating products for customers.

(3) The Company adhered to the people-oriented philosophy, provided supplementary medical coverage for all employees, and actively boosted the construction of the supplementary security system such as annuity.

The Company strictly implemented the Labour Law of the People's Republic of China and relevant regulations of the local people's governments at all levels, and maintained various social insurances for its employees, including basic pension insurance, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance. Meanwhile, the Company also contributed the housing provident fund for its existing employees to the housing provident fund management departments in Beijing and the cities where the branches were located. On this basis, the Company established the supplementary medical insurance system for the employees, which, outside of the national basic medical system, would provide the employees with more comprehensive medical coverage; the Company set up the annuity plan for the employees to choose to participate in, which, outside of the national basic pension coverage system, would establish more adequate pension coverage for the employees. The Company's annuity plan began to operate in August 2011. Over 6,600 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.

The Company strictly complies with labour regulatory requirements and does not hire child labour or practice forced labour. The Company provides reasonable holidays and leaves to the employees, organises annual body check for them and establishes a medical room to secure their health.

(4) Promoting the democratic management work in the basic form of employees' representative meeting, effectively maintaining the legal rights and interests of employees, and sending the care from the Party Committee and the “warmth” from the labour union to the hearts of the employees.

The Company's labour union promoted and improved democratic management in the basic form of employees' representative meeting according to law, and regularly performed the general election program. After the democratic election by the majority of employees, 320 employees' representatives were legally elected. On 31 October 2016, they held the first meeting of the second session of the employee representative meeting (by video), listened to work reports of the Company, its labour union and the employee directors and supervisors, etc., considered and passed some systems related to the employees' vital interests in the form of internet voting (WeChat “Business Number”), which not only realized the employees' rights to know, participate, express and supervise, but also fully motivated the employees' enthusiasm, initiative and creativity.



SECTION V DIRECTORS' REPORT

Pursuant to the Administrative Measures for Sending Warmth, in the principles of truth and accuracy, diligence and frugality, earmarking a fund for its specified purpose only, openness, fairness and impartiality, in 2016, the Company's labour union granted subsidies to the employees with serious illness in the amount of more than RMB200,000, and sent the warmth fund of more than RMB1,510,000 to the employees in sick and difficulty, internal retirees and retirees during the period from the New Year's Day to Spring Festival. It realized the systematization, timeliness and normalization in respect of sending warmth, achieved "no omission, full coverage with tracking and paying attention to service", which made the employees deeply feel the care from the Company's Party Committee and the warmth from the "Big Family" of the labour union.

In order to perform the targeted poverty reduction as requested by China Financial Industry Labour Union, the Company carried out some activities for sending love to the employees in need in Lintao County, Gansu Province by supporting local industry.

8. The Company actively took part in charities

In 2016, the Company regarded poverty reduction as its important political responsibility and social responsibility, actively responded to the call of the Chinese Communist Party and the State, securities regulators, and carried out the supporting work on the basis of the reality. The Company denoted supporting fund of RMB2 million to Jingning County in Gansu Province, and assigned 1 deputy county chief on secondment in that county. The Company constructed 1 E-Classroom and donated 40 computers for "Galaxy Primary School" in Yongshan County, Yunnan Province. During the Reporting Period, the poverty alleviation contribution amounted to RMB2,270,300 and materials with a total value of RMB45,000 were donated. It successively dispatched 5 staff to participate in the poverty reduction survey organized by CIC, Galaxy Financial Holdings and the Securities Association of China. According to the request of CIC's Party Committee, through combining the actual needs in the designated poverty reduction regions with the influence of the poverty reduction work on the classification and rating of the Company, it researched and formulated the working plans for poverty reduction of the Company in 2017-2020.

9. Advocate anti-corruption and conduct procurement work openly

In the work of anti-corruption, the Company focuses on prevention, improves system restrictions, strengthens supervision and enforcement of discipline, changes the concept of punishment, further checks misconduct early and meticulously, imposes penalty frequently and immediately, and constantly strengthens constraints on managerial personnel, thereby eradicating the unhealthy tendency as well as blocking corruption-breeding channels from the source, so as to provide a favorable environment for enterprise development. The Company also actively carries out various forms of honest culture education, training and propaganda activities, and strengthens the awareness of honesty and self-discipline of employees at all levels; effectively integrates the prevention and elimination of risks in ideology and morality, position responsibility, business process and institutional mechanism into daily operation and management, urges leading cadres at all levels to seriously implement the "two duties for one post" requirement, and constantly improves the penetration of honest risk prevention and control; enhances the supervision and inspection of critical fields, key areas and important posts, such as expenses, election and appointment, formulates and revises the Interim Accountability Measures and the Measures for Handling Violations of Disciplines and Regulations of Employees, broadens channels for report of issues and clues by publishing a reporting email and hotline, and further improves the accountability system. During the Reporting Period, the work of anti-corruption of the Company is overall satisfactory with no major negative events.



SECTION V DIRECTORS' REPORT

The Company carries out procurement work fairly, impartial and openly, and stressed that procurement information should be open to the public through a variety of ways under the system, giving equal opportunities to suppliers, who participated in each stage of the operation of procurement project, to ensure it is fair, and through collective decision-making, committee independent vote, equal right for every vote and other measures to ensure the results is impartial. For suppliers who have moral or credit problems, or have a record of bad conduct, the Company will reject or restrict their participation in the Company's projects in accordance with the system.

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

30 March 2017



SECTION VI OTHER SIGNIFICANT EVENTS

I. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Company had no material litigation or arbitration involving an amount of over RMB10 million and representing 10% the latest audited net assets of the Company as required to be disclosed under the SSE Listing Rules, nor did it have any matters generally questioned by media.

During the Reporting Period, the Company and its branches were involved in two additional litigations involving an amount of over RMB10 million each and had no additional arbitrations involving an amount of over RMB10 million. Details are as follows:

(i) Civil action brought by Sichuan Trust Co., Ltd. (四川信託有限公司) against eight entities and individuals including Weihai Zhongtian Real Estate Co., Ltd. (威海中天房地產有限公司) in relation to an entrusted loan agreement dispute

On 27 January 2016, the Company received the materials ((2016) Lu Min Chu No. 2) ((2016) 魯民初2號) delivered by the People's High Court of Shandong Province in relation to the civil action brought by Sichuan Trust Co., Ltd. ("Sichuan Trust") against eight entities and individuals including Weihai Zhongtian Real Estate Co., Ltd. ("Weihai Zhongtian") in relation to an entrusted loan agreement dispute.

According to the civil complaint by Sichuan Trust and relevant information, in April 2013, Sichuan Trust established a collective trust and entered the Jixing No. 9 Directed Asset Management Contract (吉星9號定向資產管理合同) with the Company, pursuant to which the Company was entrusted to provide a loan of RMB160 million to Weihai Zhongtian by way of entrusted loan and Sichuan Trust undertook to assume the risks arising from such investment. On 25 April 2014, Galaxy Jinhui, a wholly-owned subsidiary of the Company, was established, and on 16 May 2014, the manager of the Jixing No. 9 Directed Asset Management Scheme was changed from the Company to Galaxy Jinhui as agreed by the parties.

As Weihai Zhongtian failed to settle the principal and interest as agreed in the contract, Sichuan Trust initiated a litigation against Weihai Zhongtian before the court, applying for ordering Weihai Zhongtian to repay the principal of and interest on the loan and pay relevant penalty and compound interest, totalling approximately RMB219 million. In addition, Sichuan Trust sued the parties involved in the entrusted loan, including the entities and individuals providing guarantee for the entrusted loan, the bank providing loan and the institutions providing custody services for the loan, either asking them to undertake guarantee liability or seek to hold them jointly and severally liable for repayment of the loan. The Company and Galaxy Jinhui, as the managers of the directed asset management scheme, were listed as the 7th and 8th defendants, respectively.

As at 31 December 2016, the case was in the first instance process.



SECTION VI OTHER SIGNIFICANT EVENTS

(ii) **Civil action brought by four individuals including Che Jingwei against the Qinhuangdao Securities Branch and the Company in relation to the fraud by Che Chao individually, a former employee of the Qinhuangdao Securities Branch**

On 7 March 2016, the Qinhuangdao Securities Branch of the Company received information on a civil action brought by four individuals including Che Jingwei (車敬偉) against the Qinhuangdao Securities Branch and the Company, requesting for refund of “wealth management money (理財款)”. According to the civil complaint and relevant information, Che Chao (車超), who was an employee of the Qinhuangdao Securities Branch and resigned in January 2015, allegedly defrauded these individuals including Che Jingwei of money during 2013 and 2014 by way of allegedly investing in wealth management products. On 16 November 2015, the People’s Court of Haigang District, Qinhuangdao made a criminal judgment that Che Chao be convicted of fraud and sentenced to 15 years, together with a penalty of RMB100,000 and refund of money to the victims.

As Che Chao was unable to settle the amount provided in the civil judgment, on 11 December 2015, four of the five victims including Che Jingwei, filed a civil action before the People’s Court of Haigang District, Qinhuangdao, applying to the court for ordering the Qinhuangdao Securities Branch and the Company to refund “wealth management money” of RMB16,083,383.

On 19 July 2016, the People’s Court of Haigang District, Qinhuangdao made the first instance verdict and dismissed all claims of four plaintiffs including Che Jingwei. On 11 August 2016, the Company received the civil appeal from four plaintiffs including Che Jingwei. Subsequently, as the other three plaintiffs including Che Jingwei (save for Liu Cun) failed to pay the litigation costs of the appeals case within the prescribed period, the court considered the appeals to be automatically withdrawn. On 20 December 2016, Qinhuangdao Intermediate People’s Court made a verdict, allowing Liu Cun, the appellant, to withdraw appeal. As at 31 December 2016, the legal instruments binding on the four persons including Che Jingwei and Liu Cun had taken effect.

Details and progress of the outstanding legal proceedings disclosed in the annual report of the Company for 2015 are as follows: Civil proceedings arising from Yu Xiaolei’s illegal absorption of public’s deposits.

From 12 March 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. 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 his money, he filed a lawsuit on 15 April 2013 with the Jianye District People’s Court of Nanjing against the Jiangdongzhong Road branch in Nanjing and the Company as codefendants, claiming a sum of RMB8.614 million plus interest. On 10 June 2015, Jianye District People’s Court of Nanjing reached decision for the first trial and rejected the request by Tang Latou. On 16 July 2015, Tang Latou appealed to the Intermediate People’s Court of Nanjing. On 19 November 2015, the Intermediate People’s Court of Nanjing reached its decision for the second trial and rejected the appeal by Tang Latou. On 26 January 2016, Tang Latou applied to Jiangsu Provincial Higher People’s Court for retrial. The Company received the relevant response materials served by the court on 25 August 2016, and participated in the pre-trial inquiry procedure on 27 September 2016. As at 31 December 2016, Jiangsu Provincial Higher People’s Court had not yet made a judgment for retrial.

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



SECTION VI OTHER SIGNIFICANT EVENTS

II. PUNISHMENT AND RECTIFICATION AGAINST LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, BENEFICIAL CONTROLLER AND BUYER

During the Reporting Period, the Directors, Supervisors and senior management of the Company had not been punished or publicly condemned by the CSRC, Securities Association of China, stock exchanges, financial futures exchange, finance and taxation, foreign exchange and auditing authorities.

During the Reporting Period, the Company had not been subject to any administrative penalties by the CSRC, Securities Association of China, stock exchanges, financial futures exchange, finance and taxation, foreign exchange and auditing authorities.

III. DESCRIPTION OF THE CREDIT WORTHINESS OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS, BENEFICIAL CONTROLLER DURING THE REPORTING PERIOD

During the Reporting Period, none of the Company, Galaxy Financial Holdings being the controlling shareholder of the Company, and Huijin being the Company's actual controller, had failed to fulfill effective judgment of the court or settle overdue debts or had showed bad credit worthiness.

IV. MATERIAL CONNECTED TRANSACTIONS

The major daily connected transactions of the Company are as follows: For related party transactions as defined by the relevant accounting standards during the Reporting Period, please refer to "Related Party Transactions" under Note 52 of the consolidated financial statements for details. Of these related party transactions, the transactions between the Company and Galaxy Financial Holdings (Note 52(a)(1)) constituted continuing connected transactions under Chapter 14A of the Stock Exchange Listing Rules, and such transactions are included in and regulated by the Securities and Financial Services Framework Agreement entered into between the Company and Galaxy Financial Holdings (please see below for details). Other related party transactions did not constitute connected transactions under Chapter 14A of the Stock Exchange Listing Rules.

The Group conducts connected transactions in strict accordance with the Stock Exchange 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 Stock Exchange Listing Rules:



SECTION VI OTHER SIGNIFICANT EVENTS

(i) Securities and Financial Services Framework Agreement entered into between the Company and Galaxy Financial Holdings

On 2 May 2013, the Company entered into the Securities and Financial Services 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 and regulations. The Framework Agreement came into force on the H Share Listing Date (being 22 May 2013) for a term of three years. On 29 December 2015, the Company and Galaxy Financial Holdings entered into the Supplemental Agreement to the Securities and Financial Services Framework Agreement (the “Supplemental Agreement”), whereby the term of the Framework Agreement was renewed to 31 December 2018 and it is renewable for another three years subject to compliance with the relevant laws and the Stock Exchange Listing Rules. Galaxy Financial Holdings is the controlling shareholder and therefore a connected person of the Company. As such, the transaction constitutes a continuing connected transaction of the Company under the Stock Exchange Listing Rules.

For the three years ended 31 December 2018, the annual caps of the service charges and commissions payable by Galaxy Financial Holdings Group to the Group for the provision of securities and financial services under the Framework Agreement (as renewed by the Supplemental Agreement) will be RMB530 million, RMB580 million and RMB640 million, respectively, and the annual caps of the interest payable by the Group to Galaxy Financial Holdings Group for the entrusted funds will be RMB40 million, RMB60 million and RMB80 million, respectively.

As the applicable percentage ratios under the Stock Exchange Listing Rules 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 Stock Exchange 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

	2016	Annual cap for 2016
Revenue		
Securities brokerage services	2,704.58	
Sales agency services	4,538.58	
Leasing of exchange trading units	2,340.00	
Other related securities and financial services	1,544.46	
Total	11,127.62	53,000.00
Expenses		
Interest expenses	451.03	
Total	451.03	4,000.00



SECTION VI OTHER SIGNIFICANT EVENTS

Notes:

1. Income from securities brokerage services is the income received from Galaxy Financial Holdings and Galaxy Assets Management for securities brokerage business;
2. Income from sales agency services is the income received from Galaxy Fund Management and Galaxy Assets Management for agency sale of financial products;
3. 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;
4. Income from other related securities and financial services is the targeted asset management income, management fee and performance compensation received from Galaxy Assets Management, etc;
5. Interest expense is the interest expense for deposits payable to Galaxy Financial Holdings, Galaxy Fund Management and Galaxy Assets Management.

(ii) Framework Agreement in relation to the Subscription of Public Funds and Segregated Accounts and the Dealer-quoted Bond Repurchase Transactions between the Company and Galaxy Fund Management

On 24 February 2016, the Company entered into the Framework Agreement for Purchase of Public Funds and Segregated Accounts and Dealer-quoted Bond Repurchase Transactions with Galaxy Fund Management, pursuant to which the Company will (1) subscribe for or redeem public funds and segregated accounts managed by Galaxy Fund Management and pay subscription fee or redemption fee in relation thereto to Galaxy Fund Management, and (2) conduct dealer-quoted bond repurchase transactions with Galaxy Fund Management in the inter-bank market and pay financing interests to Galaxy Fund Management, during the term of the Framework Agreement. The subscription price or redemption price is the unit net price of the fund products on the subscription or redemption date, which is based on the average market rate. The financing interests shall be determined by the parties through arm's length negotiation based on the prevailing market price pursuant to the Implementing Rules for the Operation of Bond Investment Business in the Inter-Bank Market of the Company. The Framework Agreement is for a term of three years from the date of approval by the Shareholders at the general meeting, and may be renewed for another three years subject to compliance with the relevant laws and the Stock Exchange Listing Rules. As Galaxy Financial Holdings is the controlling shareholder of the Company, Galaxy Fund Management is a non-wholly owned subsidiary of Galaxy Financial Holdings, and also a connected person of the Company. As such, the above transactions constitute continuing connected transactions of the Company under the Stock Exchange Listing Rules.

For each of the three years ending 31 December 2018, the cap for the subscription of public funds and segregated accounts by the Company from Galaxy Fund Management (including the subscription price and the corresponding subscription fee) is RMB2,000 million; the cap for redemption of public funds and segregated accounts by the Company from Galaxy Fund Management (including the redemption amount and the redemption fee) is RMB2,000 million; the cap for the value of the bond assets pledged by the Company to Galaxy Fund Management is RMB2,020 million; the cap for the amount of financing provided by Galaxy Fund Management to the Company is RMB2,000 million; and the cap for the financing interest payable by the Company to Galaxy Fund Management is RMB1.8 million.

As the applicable percentage ratios as set out in the Stock Exchange Listing Rules represented by the annual caps of the continuing connected transactions are more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under the Stock Exchange Listing Rules. Pursuant to the Administrative Measures for Connected Transactions, however, the transactions contemplated under the Framework Agreement are subject to approval by the Shareholders' general meeting of the Company. Independent shareholders of the Company had approved the continuing connected transactions at the first extraordinary general meeting of the Company for 2016 held on 24 March 2016. During the Reporting Period, there was no connected transaction under the Framework Agreement.



SECTION VI OTHER SIGNIFICANT EVENTS

(iii) Framework Agreement in relation to the Dealer-quoted Bond Repurchase Transactions between the Company and Galaxy Financial Holdings

On 27 June 2016, the Company entered into the Framework Agreement in relation to the Dealer-quoted Bond Repurchase Transactions with Galaxy Financial Holdings, pursuant to which the Company will conduct dealer-quoted bond repurchase transactions with Galaxy Financial Holdings in the inter-bank market and pay financing interests to Galaxy Financial Holdings. The financing interests shall be determined by the parties through arm's length negotiation based on the prevailing market price pursuant to the Implementing Rules for the Operation of Bond Investment Business in the Inter-Bank Market of the Company. The Framework Agreement shall become effective upon signing by both parties and shall remain in force until 31 December 2017. As Galaxy Financial Holdings is the controlling shareholder of the Company, it is a connected person of the Company. As such, the above transactions constitute continuing connected transactions of the Company under the Stock Exchange Listing Rules.

For each of the two years ending 31 December 2017, the cap for the value of the bond assets pledged by the Company to Galaxy Financial Holdings is RMB560 million; the cap for the amount of financing provided by Galaxy Financial Holdings to the Company is RMB500 million; and the cap for the financing interest payable by the Company to Galaxy Financial Holdings is RMB1.75 million.

As the applicable percentage ratios (either alone or together with the dealer-quoted bond repurchase transactions between the Company and Galaxy Fund Management) as set out in the Stock Exchange Listing Rules represented by the annual caps of the continuing connected transactions are more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under the Stock Exchange Listing Rules. During the Reporting Period, there was no connected transaction under the Framework Agreement.

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 Stock Exchange Listing Rules. When conducting the above continuing connected transaction during the Reporting Period, the Company complied with the pricing policy and guidelines formulated when the transaction was entered into.

The independent non-executive Directors 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 or better;
- (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 auditor of the Company in respect of the continuing connected transactions mentioned above, in which the auditor has expressed the following opinion on the disclosed continuing connected transactions:



SECTION VI OTHER SIGNIFICANT EVENTS

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 2016 disclosed in the relevant announcements made by the Company in respect of the disclosed continuing connected transactions.

V. CONTRACTS OF SIGNIFICANCE AND THEIR PERFORMANCE

(i) Material contracts

During the Reporting Period, the Company entered into a property lease contract with China Galaxy Investment Management Company Limited, and the rent for 2016 was RMB110.8671 million. The Company and TravelSky Technology Limited entered into a co-operation agreement (plant lease) under which the annual rent for 2016 was RMB18.4897 million. The Company and China Unicom entered into a property lease contract for a term of 5 years under which the annual rent was RMB53.7631 million. The aforementioned contract amounts were paid quarterly or monthly. As at the end of the Reporting Period, the Company had paid RMB13.0050 million to Shenzhen Kingdom Technology Co., Ltd. (深圳金證科技股份有限公司) under the software and customized development contract; and the Company paid RMB10.1597 million to Shanghai Stock Communication Co., Ltd. (上海證券通信有限公司) under the server custody service contract. 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.

(ii) Guarantees

Unit: RMB in million

External guarantees by the Company (excluding guarantees for its subsidiaries)

Total amount of guarantee during the Reporting Period (excluding guarantees for the subsidiaries)	–
Total balance of guarantee as at the End of the Reporting Period (A) (excluding guarantees for the subsidiaries)	–

Guarantees provided by the Company and its subsidiaries to subsidiaries

Total amount of guarantees provided for its subsidiaries during the Reporting Period	1,648.5
Total balance of guarantees provided for its subsidiaries as at the End of the Reporting Period (B)	1,648.5

Total amount of guarantees provided by the Company (including those provided for its subsidiaries)

Total amount of guarantees (A+B)	1,648.5
Total amount of guarantees as a percentage of the Company's net assets (%)	2.9
Of which:	
Amount of guarantees provided for shareholders, beneficial controller and related parties (C)	–
Amount of debt guarantees provided directly or indirectly for companies with gearing ratio of over 70% (D)	–
Total amount of guarantees in excess of 50% of net assets (E)	–
Sum of the above three guarantees (C+D+E)	–
Description of outstanding guarantees which may incur several and joint liability	–
Notes on guarantees	–



SECTION VI OTHER SIGNIFICANT EVENTS

- Notes: (1) In August 2016, the Company provided net capital guarantee for Galaxy Jinhui, a subsidiary of the Company, amounting to RMB1 billion to meet the needs of its business development.
- (2) Galaxy International Holdings and its subsidiary China Galaxy International Securities (Hong Kong) Company Limited, provided mutual guarantees for their respective bank facilities amounting to HK\$625,000,000, which was equivalent to RMB559,062,500 based on the spot exchange rate as at 31 December 2016.
- (3) China Galaxy International Securities (Hong Kong) Company Limited, a subsidiary of the Galaxy International Holdings, provided guarantee for the bank facilities granted to Galaxy International Holdings amounting to HK\$100,000,000, which was equivalent to RMB89,450,000 based on the spot exchange rate as at 31 December 2016.

On 30 March 2017, the “Proposal on the Review of Galaxy Jinhui’s Application to Galaxy Securities for an Increase of Net Capital Guarantee” was passed at the 23rd meeting of the third session of the Board, during which it was agreed to provide a net capital guarantee of RMB3 billion to Galaxy Jinhui so as to meet the needs of its business development.

VI. OTHER SIGNIFICANT EVENTS

1. Changes in individual business qualifications during the Reporting Period

- (1) In September 2016, the Company filed with the People’s Bank of China and received the qualification for sales of precious metals.
- (2) On 4 November 2016, the SZSE approved the authority for the Company to conduct Hong Kong Stock Connect trading under the Shenzhen-Hong Kong Stock Connect (Shenzhen Zheng Hui [2016] No. 330).
- (3) On 13 December 2016, Beijing Insurance Regulatory Bureau approved the extension of the term of the insurance agency qualification of the Company until October 2019 (Jing Bao Jian [2016] No. 248).

2. Acquisitions, mergers or divisions during the Reporting Period

The Company and its subsidiaries had no acquisitions, mergers or divisions during the Reporting Period.

The preliminary due diligence for possible joint venture between Galaxy International Holdings and Malaysia-based CIMB Group in respect of businesses including but not limited to cash and securities business (including institutional and retail brokerage, equity research and related securities) in Southeast Asian countries was completed. The parties entered into a non-legally binding term sheet on 17 October 2016, and such announcement was published on the website of Hong Kong Stock Exchange. The corporate governance procedures of the Company have been complied with throughout the process of the project. As at the End of the Reporting Period, the intermediaries appointed by Galaxy International Holdings were actively conducting due diligence and relevant work.

3. Increase in capital of subsidiary

- (1) On 24 March 2016, the “Proposal on the Increase of Registered Capital of the Hong Kong Subsidiary” was passed at the eleventh meeting of the third session of the Board. In order to support the business development of Galaxy International Holdings, it was proposed to increase its registered capital by HK\$4 billion. After the capital increase, the registered capital of Galaxy International Holdings will be HK\$5 billion. Such capital will be injected by phase taking into account the operating condition of Galaxy International Holdings and its actual capital requirement. Currently the capital increase is still in progress.
- (2) On 30 March 2017, the “Proposal on the Review of the Report regarding Galaxy Jinhui’s Application to its Parent Company, Galaxy Securities, for an Increase of its Registered Capital” was passed at the 23rd meeting of the third session of the Board, during which it was agreed to increase Galaxy Jinhui’s registered capital by RMB0.5 billion. After the capital increase, the registered capital of Galaxy Jinhui will be RMB1 billion.

SECTION VI OTHER SIGNIFICANT EVENTS

- (3) On 30 March 2017, the “Proposal on the Review of the Report regarding a Capital Increase Application of Galaxy Yuanhui Investment Co., Ltd.” was passed at the 23rd meeting of the third session of the Board, during which it was agreed to increase Galaxy Yuanhui’s registered capital by RMB1.15 billion. After the capital increase, the registered capital of Galaxy Yuanhui will be RMB1.5 billion.

4. Issue of shares and bonds after the End of the Reporting Period

In January 2017, the Company carried out initial public offering of 600,000,000 A Shares to eligible natural person and institutional investors at a price of RMB6.81 per share, which became listed on the SSE on 23 January 2017. The total proceeds amounted to RMB4,086 million. After deducting issuance expenses, the net proceeds raised amounted to RMB3,954 million which will be used to increase the capital and replenish working capital of the Company.

In February and March 2017, the Company non-publicly issued corporate bonds for 2017, totalling RMB9.26 billion, and non-publicly issued securities company short-term corporate bonds for 2017, totalling RMB3.87 billion, details of which are set out below:

Name	Size of issue (in RMB 100 million)	Date of fund raising	Repayment date	Term (days)	Interest rate
Non-public issue of corporate bonds for 2017 (tranche 1) (category 1)	25	2017/2/27	2019/2/27	730 days	4.65%
Non-public issue of corporate bonds for 2017 (tranche 1) (category 2)	25	2017/2/27	2017/11/27	273 days	4.60%
Non-public issue of securities company short-term corporate bonds for 2017 (tranche 1) (category 1)	13.7	2017/3/23	2017/9/23	184 days	4.80%
Non-public issue of securities company short-term corporate bonds for 2017 (tranche 1) (category 2)	25	2017/3/23	2017/12/23	275 days	4.88%
Non-public issue of corporate bonds for 2017 (tranche 2) (category 1)	17.6	2017/3/23	2019/3/23	730 days	4.98%
Non-public issue of corporate bonds for 2017 (tranche 2) (category 2)	25	2017/3/23	2019/9/23	914 days	4.98%

5. Change in senior management after the End of the Reporting Period

- (1) On 3 March 2017, the proposal for the termination of appointment of Ms. Chen Jing (陳靜) as member of the Executive Committee and vice president of the Company, was approved at the 21st meeting of the third session of the Board, and Ms. Chen Jing no longer acted as member of the Executive Committee and vice president of the Company.
- (2) On 3 March 2017, the proposal for the appointment of Ms. Wei Xiaohui (衛筱慧) as member of the Executive Committee and vice president of the Company, was approved at the 21st meeting of the third session of the Board, and Ms. Wei Xiaohui was appointed as member of the Executive Committee and vice president of the Company for a term until the expiry of the office of the third session of the Board.



SECTION VI OTHER SIGNIFICANT EVENTS

6. Qinhuangdao Securities Branch was implemented administrative supervision measures of “increasing the number of internal compliance inspection” by Hebei Regulatory Bureau of CSRC

On 1 March 2017, the Qinhuangdao Securities Branch of the Company received “The decision of measures for increasing the number of internal compliance inspection against Qinhuangdao Securities Branch of China Galaxy Securities Co., Ltd.” ([2017] No. 3) from Hebei Regulatory Bureau of the CSRC. In view of the deficient internal control of the Qinhuangdao Securities Branch of the Company, Hebei Regulatory Bureau of the CSRC decided to implement administrative supervision measures of requiring the increase in the number of internal compliance inspection.

In response to such supervision measures, the Company has taken the following rectification measures: site inspection was conducted at the Qinhuangdao Securities Branch; all branches were required to conduct corresponding self-inspection; the counter authority management and seal management of the branches were further strengthened and the procedures for depositing and withdrawal of funds were strictly implemented to prevent moral risks of employees.

VII. RESULTS OF THE CLASSIFICATION AND APPRAISAL OF THE COMPANY BY THE SECURITIES REGULATORY AUTHORITIES

Among the classification and appraisal of securities companies by the CSRC, the Company was rated as Level AA, Class A in 2014 and 2015 and as Level A, Class A in 2016.



SECTION VII CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

I. CHANGES IN ORDINARY SHARES

During the Reporting Period, total number of ordinary shares of the Company remained unchanged. After the completion of the A Shares IPO of the Company on 23 January 2017, total number of ordinary shares of the Company increased to 10,137,258,757.

II. INFORMATION OF SHAREHOLDERS

(i) Shareholdings Of The Top 10 Shareholders And Top 10 Holders Of Circulating Shares (Or Shareholders Not Subject To Trading Moratorium) As At The End Of The Reporting Period

1. Shareholdings of the top 10 shareholders

Name of Shareholders	As at the end of the Reporting Period		Number of shares subject to trading moratorium held	Pledged or frozen		Nature of Shareholders
	Number of shares held	Percentage (%)		Status of shares	Number of shares held	
China Galaxy Financial Holdings Limited	5,217,743,240	54.71	5,217,743,240	Nil	-	State-owned legal person
HKSCC Nominees Limited (Note 1)	3,686,443,916	36.37	0	Nil	-	Overseas legal person
PICC Property and Causality Company Limited	114,381,147	1.20	114,381,147	Nil	-	Stated-owned legal person
Shanghai Rural Commercial Bank Co., Ltd.	110,000,000	1.15	110,000,000	Nil	-	Domestic non-State-owned legal person
Bank of Lanzhou Co., Ltd	90,514,398	0.95	90,514,398	Nil	-	Domestic non-State-owned legal person
Shanghai CIIC Electric Technology Co., Ltd.	60,000,000	0.63	60,000,000	Nil	-	Domestic non-State-owned legal person
China Resources Co., Ltd.	38,804,706	0.41	38,804,706	Nil	-	State-owned legal person
Joincare Pharmaceutical Industry Group Co., Ltd	28,983,000	0.30	28,983,000	Nil	-	Domestic non-State-owned legal person
Zhongshan Zhonghui Investment Group Company Limited	19,454,230	0.20	19,454,230	Nil	-	State-owned legal person
Shenzhen State-Owned Dutyfree Commodity (Group) Co., Ltd	13,617,961	0.14	13,617,961	Nil	-	State-owned legal person

Note 1: H shares held by HKSCC Nominees Limited are held for various investors.



SECTION VII CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

2. Shareholdings of the top 10 shareholders not subject to trading moratorium

Name of shareholder	Type of shares held	Number of shares held
HKSCC Nominees Limited	H Shares	3,686,443,916

3. Shareholdings of the top 10 shareholders subject to trading moratorium and conditions of trading moratorium

Name of shareholders subject to trading moratorium	Number of circulation shares held subject to trading moratorium	Conditions of trading moratorium
China Galaxy Financial Holdings Limited	5,217,743,240	36 months from the listing date of the Company's A Shares
PICC Property and Causality Company Limited	114,381,147	12 months from the listing date of the Company's A Shares
Shanghai Rural Commercial Bank Co., Ltd.	110,000,000	12 months from the listing date of the Company's A Shares
Bank of Lanzhou Co., Ltd	90,514,398	12 months from the listing date of the Company's A Shares
Shanghai CIIC Electric Technology Co., Ltd.	60,000,000	12 months from the listing date of the Company's A Shares
China Resources Co., Ltd.	38,804,706	12 months from the listing date of the Company's A Shares
Joincare Pharmaceutical Industry Group Co., Ltd	28,983,000	12 months from the listing date of the Company's A Shares
Zhongshan Zhonghui Investment Group Company Limited	19,454,230	12 months from the listing date of the Company's A Shares
Shenzhen State-Owned Dutyfree Commodity (Group) Co., Ltd	13,617,961	12 months from the listing date of the Company's A Shares
Wang Jianguo	12,080,000	12 months from the listing date of the Company's A Shares

Notes:

- The information as stated in this table represents the number of shares held as at 31 December 2016.
- The Company was listed on the SSE on 23 January 2017, according to the Approval of the Ministry of Finance Regarding Transfer Proposal of State-owned Shares of China Galaxy Securities Co., Ltd. (Cai Jin Han [2016] No. 181), the State-owned shareholders transferred parts of its shares to the social security fund for holding to perform its obligation of transfer of State-owned shares.



SECTION VII CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

(ii) Interests And Short Positions Of Substantial Shareholders And Other Persons In Shares And Underlying Shares

At the end of the Reporting Period, to the knowledge of the Directors 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:

Name of substantial Shareholders	Class of shares	Nature of interest	Number of shares held (Note 1)	Percentage of the total number of issued shares of the Company (%)	Percentage of the total number of Issued Domestic Shares of the Company (%)	Long positions/ short positions/ shares available for lending
Huijin (Note 2)	Domestic Shares	Interests of controlled corporation	5,217,743,240	54.71	89.25	Long position
Galaxy Financial Holdings (Note 2)	Domestic Shares	Beneficial owner	5,217,743,240	54.71	89.25	Long position
Franklin Templeton Sealand Fund Management Co., Ltd	H Shares	Investment manager	217,087,000	2.28	5.88	Long position
Wenze International Investment Limited (Note 3 & 4)	H Shares	Beneficial owner	219,524,000	2.30	5.95	Long position
Wang Yili (Note 3)	H Shares	Interests of controlled corporation	219,524,000	2.30	5.95	Long position
Yan Yuqing (Note 4)	H Shares	Interests of controlled corporation	219,524,000	2.30	5.95	Long position

Note 1: According to Section 336 of the SFO, 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.

Note 2: 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 3: Wang Yili is interested in 50% shares of Wenze International Investment Limited and is hence deemed to be interested in the 219,524,000 H Shares held by Wenze International Investment Limited.

Note 4: Yan Yuqing is interested in 50% shares of Wenze International Investment Limited and is hence deemed to be interested in the 219,524,000 H Shares held by Wenze International Investment Limited.

Save as disclosed above, as at the End of the Reporting Period, 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.



SECTION VII CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

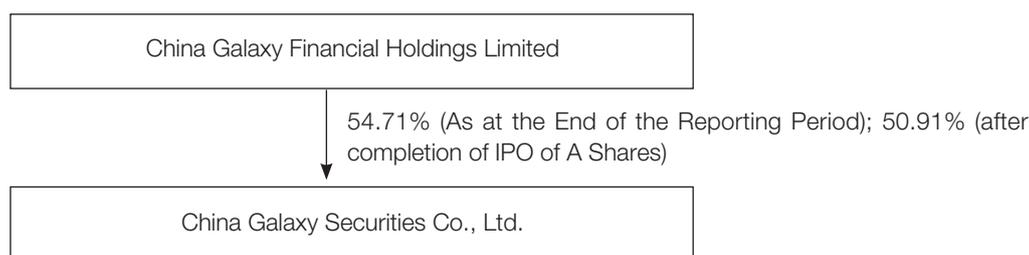
III. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(i) Controlling Shareholder

1. Legal person

Name:	China Galaxy Financial Holdings Limited
Person in charge of the company or legal representative:	Chen Gongyan
Date of establishment:	8 August 2005
Principal activities:	Securities, fund, insurance, trust, banking investment and management
Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the Reporting Period:	Nil
Other:	Nil

2. The chart on the ownership and control relationship between the Company and its controlling shareholder



(ii) De Facto Controller

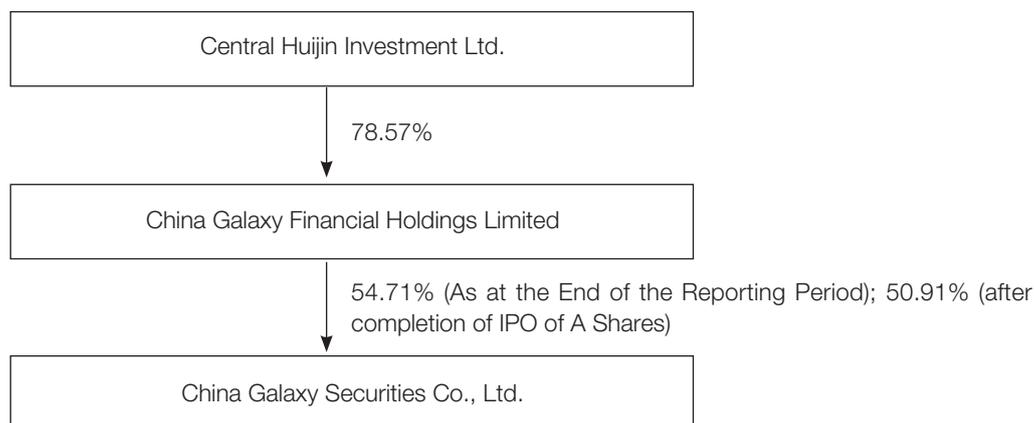
1. Legal person

Name:	Central Huijin Investment Ltd.
Person in charge of the company or legal representative:	Ding Xuedong
Date of establishment:	16 December 2003
Principal activities:	making equity investment in key state-owned financial institutions as authorised by the State Council; other related business approved by the State Council
Other:	Nil



SECTION VII CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

2. The chart on the ownership and control relationship between the Company and its de facto controller



IV. 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 noncompetition 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.



SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

I. Basic information on the existing and resigned Directors, Supervisors and senior management during the Reporting Period

Name	Position	Gender	Age	Starting date of term of office	Expiry date of term of office	Total remuneration before tax received from the Company during the reporting period (0'000)	Whether received remuneration from the Company's related parties or not
Chen Gongyan	Executive Director, Chairman and Chairman of the Executive Committee	Male	55	2016.10.18	2018.6.28	98.60	No
Gu Weiguo	Executive Director, Deputy Chairman and President	Male	58	2010.4.30	2018.6.28	289.70	No
Wu Chengming	Executive Director, Secretary to the Board	Male	54	2009.8.21	2018.6.28	233.86	No
Du Ping	Non-executive Director	Male	54	2015.6.29	2018.6.28	0	Yes
Shi Xun	Non-executive Director	Male	59	2011.8.19	2018.6.28	0	No
Zhang Jinghua	Non-executive Director	Male	61	2015.6.29	2018.6.28	0	No
Liu Feng	Independent Director	Male	54	2011.4.22	2018.6.28	29.00	No
Luo Lin	Independent Director	Male	67	2015.6.29	2018.6.28	26.00	No
Wu Yuwu	Independent Director	Male	56	2013.1.25	2018.6.28	24.00	No
Chi Fulin	Independent Director	Male	66	2015.6.29	2018.6.28	24.00	No
Li Chaoyang	Employee Director	Male	58	2015.6.29	2018.6.28	326.74	No
Zhong Cheng	Supervisor	Male	54	2005.12.31	2008.6.28	241.97	No
Liu Zhiyi	Employee Supervisor	Female	53	2013.5.22	2018.6.28	240.94	No
Chen Jijiang	Employee Supervisor	Male	51	2015.6.29	2018.6.28	237.69	No
Tao Libin	External Supervisor	Male	40	2016.10.18	2018.6.28	2.50	No

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Position	Gender	Age	Starting date of term of office	Expiry date of term of office	Total remuneration before tax received from the Company during the reporting period (0'000)	Whether received remuneration from the Company's related parties or not
Chen Jing	Vice President	Female	54	2007.8.14	2017.3.3	246.30	No
Li Xianglin	Vice President	Male	50	2016.8.30	2018.6.28	98.02	No
Wei Xiaohui	Vice President	Female	54	2017.3.3	2018.6.28	0	No
Wang Liuqi	Chief Officer of Equity Financing Business	Male	46	2012.3.23	present	294.76	No
Yin Yanwu	Chief Officer of Asset Management Business	Male	43	2012.12.31	present	294.76	No
Zhu Ruimin	Chief Financial Officer	Female	47	2012.4.23	present	252.13	No
Wu Jianhui	Chief Human Resources Officer	Male	47	2011.11.18	present	233.86	No
Li Shuhua	Chief Risk Officer/ Chief Compliance Officer	Male	45	2011.11.18	present	233.86	No
Chen Youan (resigned)	Former Executive Director, Former Chairman	Male	59	2010.1.5	2016.4.25	164.80	No
Yu Wenxiu (resigned)	Former Supervisor, Chairman of the Supervisory Committee	Male	60	2005.12.31	2016.10.13	215.73	No
Feng Heping (resigned)	Former External Supervisor	Male	57	2015.6.29	2016.10.18	9.50	No
Huo Xiaoyu (resigned)	Former Vice President	Female	51	2007.8.14	2016.7.29	14.00	No
Zhu Yongqiang (resigned)	Former Chief Officer of Brokerage Business	Male	52	2013.8.26	2016.8.30	244.24	No

Note 1: When there are several positions in the position column, the term of the first position is listed only.

Note 2: The Company did not granted share options to Directors, Supervisors and senior management of the Company. Directors, Supervisors and senior management did not hold any shares of the Company at the beginning or the end of the year.

Note 3: Total remuneration before tax of the Company's directors, supervisors and senior management received from the Company during the reporting period was in accrual nature. The final number of remuneration is under audit, which will be disclosed once confirmed.



SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

BIOGRAPHIES OF EXISTING DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name **Key work experience**

Executive Directors (3 people)

Chen Gongyan born in June 1962, has been servicing as an Executive Director, the Chairman and the chairman of the Executive Committee of the Company since October 2016; a director and the chairman of Galaxy Financial Holdings since May 2016; the deputy general manager of Central Huijin since August 2016; the chairman of Securities Association of China since June 2011. Mr. Chen Gongyan served as the chairman of the board of directors of China Securities Investor Protection Fund Corporation Limited from July 2005 to September 2011. Prior to that, Mr. Chen held various positions in CSRC from February 1998 to July 2005, including the person in charge of the Information Center from February 1998 to October 1998, an assistant inspector of the Policy Research Office from October 1998 to October 2000, the deputy director of the Institution Regulatory Department from October 2000 to November 2004, and the director of the Risk Management Office for Securities Companies and the deputy director of the Institution Regulatory Department from November 2004 to July 2005. Mr. Chen served as a director and the vice president of Beijing Commodity Exchange from May 1993 to February 1998, an advisory researcher and the deputy researcher of Development Research Center of the State Council from February 1988 to May 1993, and a teacher of Tongling County Party School of Anhui Province from August 1982 to August 1985. Mr. Chen graduated from the Department of Economics of Peking University with a master's degree in foreign history of economic thoughts, and from the School of Economics and Management of Tongji University with a doctorate degree in technical economics and management.

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 as Deputy Chairman of our Company since May 2012. Mr. Gu also served as director of Galaxy International Holdings since February 2011, the chairman of the executive committee of our Company from December 2012 to October 2016, director of Galaxy Financial Holdings since June 2011, chairman of Galaxy International Holdings since July 2016 and director of Zhengtong Co., Ltd. since January 2015. 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 Scitech 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.

Wu Chenming 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 China Galaxy Investment Management Company Limited from May 2011 to July 2012. Mr. Wu obtained a bachelor's degree in law from Peking University in July 1985.



SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Non-executive Directors (4 people)

Du Ping born in March 1963, has been a non-executive Director of our Company since June 2015, the general manager of Galaxy Financial Holdings since February 2015, the chairman of Galaxy Dahua Low Carbon Industry (Tianjin) Fund Management Company Limited (銀河達華低碳產業(天津)基金管理有限公司) since June 2015. From February 1993 to September 2003, Mr. Du was the division director of headquarters, vice president of the Shenzhen branch and the general manager of the Singapore branch of Bank of Communications. From December 2003 to December 2014, he was the deputy general manager of Shenyin & Wanguo Securities Co., Ltd. Mr. Du graduated from Wuhan University in July 1986 with a bachelor's degree in law, and obtained a master's degree in criminal law from Wuhan University in July 1989. He received a doctor's degree in management science and engineering from University of Shanghai for Science and Technology in June 2011.

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 concurrently 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.

Zhang Jinghua born in September 1956, has been a non-executive Director of the Company since June 2015. From January 1982 to January 1993, Mr. Zhang served consecutively as director-level clerk, deputy director and director of the State Forestry Department of the People's Republic of China. From January 1993 to August 2004, he served consecutively as supervisor of the listing division, marketing division, fund division and international division of China Securities Regulatory Commission. From August 2004 to October 2010, he served as non-executive director of Bank of China Limited. From September 2005 to December 2015, he served as non-executive director of China Investment Securities Co. Ltd. He has been a non-executive Director of the Company since June 2015. Mr. Zhang obtained a bachelor's degree in engineering from the Forest Road Construction Department of the Northeast China Institute of Forestry in January 1982, and obtained his MBA degree from New York State University in February 1988.

Li Chaoyang born in January 1959, has been a non-executive Director (employee Director) since June 2015. He is the general manager of Zhejiang branch. From January 1981 to December 1986, Mr. Li served as the director of trust division of Zhejiang branch, the vice president of Tongxiang County sub-branch and general manager of Zhejiang Trust Investment Company of the Agricultural Bank of China. From January 1997 to July 2000, he served as general manager of the Hangzhou Securities Business Department of China Great Wall Trust Investment Company. From August 2000 to December 2007, he served as general manager of the Hangzhou Jiefang Road Securities Business Department and general manager of the Hangzhou Management Department of Galaxy Limited. From January 2008 to May 2011, he served as the general manager of the Hangzhou Management Department and the director of Zhejiang Representative Office of the Company. From June 2011 to August 2016, he was the general manager of Zhejiang Branch of the Company. He has been the Employee Director of the Company since June 2015. Mr. Li graduated from Zhejiang Radio & Television University in December 1986 and completed a postgraduate course on modern Chinese history in Zhejiang University in July 1997.



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Independent Non-executive Directors (4 people)

Liu Feng

born in June 1963, has been an independent non-executive Director of our Company since April 2011. Mr. Liu served as 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, and an independent director of Beijing Capital Financial Asset Exchange Information Service Co., Ltd. (首創金融資產交易信息服務股份有限公司) since June 2016. 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, he 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.

Luo Lin

born in September 1950, has been an independent non-executive Director of the Company since June 2015. From August 1979 to February 1994, Mr. Luo served as the deputy director and director of the financial department, and the deputy director of the fund department of China Construction Bank Corporation. From March 1994 to October 2010, he served successively as deputy director of the financial bureau, director of northwest credit bureau of the National Development Bank, the president of the National Development Bank's Yunnan Branch, director of capital bureau and full-time evaluation committee member of Loan Committee of the National Development Bank. Mr. Luo graduated from Liaoning Institute of Finance in August 1979 majoring in infrastructure financing, and graduated from the Graduate School of Chinese Academy of Social Science in April 1998 with a master's degree in monetary banking. In November 1998, he was granted the qualification as a senior accountant by the Government Offices Administration of the State Council.

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 The 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.



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Chi Fulin

born in August 1951, has been an independent non-executive Director of the Company since June 2015. Mr. Chi has been the executive chairman of the board of directors and the director of the China Institute for Reform and Development since May 2008. Mr. Chi served consecutively as a promotion officer of the Political Department and a member of the Marxism-Leninism Teaching and Research Office of the National Defense University from January 1977 to August 1984, the deputy director of the Provincial Policy Research Office of Hainan and the System Reform Office of Hainan from August 1987 to June 1993, and successively the deputy director, executive director and director of the China (Hainan) Institute for Reform and Development since June 1993. Mr. Chi graduated from the Party School of the CPC Central Committee majoring in science socialism in July 1987.

Supervisors (4 people)

Zhong Cheng

born in April 1963, was elected as the Supervisor in December 2005, and has been a 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 Galaxy Limited. 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.

Liu Zhiyi

born in October 1964, has been a 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 lecturer 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 Galaxy Limited. 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.



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Chen Jijiang

born in May 1966, has been the Employee Supervisor of the Company since 29 June 2015. Mr. Chen served as general secretary of the Youth League under the Chemistry Department of the Capital Normal University from August 1989 to June 1992, deputy director-level clerk and director-level clerk of the Central Organization Department of the Communist Youth League from July 1992 to November 1995, employee of Securities Business Head Office and deputy general manager of the Personnel Department of China Cinda Trust and Investment Corporation from December 1995 to May 1999, deputy director (in charge of work) of the Organization Division of the Party Committee Organization Department and committee secretary of system of China Cinda Asset Management Co., Ltd. from June 1999 to June 2002. He has been serving as deputy director of the Organization Division of the Party Committee Organization Department, deputy director and director of the System and Personnel Division of the Human Resources Department, deputy general manager (in charge of work) of the Human Resources Department, deputy department director (in charge of work) of the Party Committee Organization Department, general manager of the Human Resources Department, director of the Party Committee Organization Department, executive deputy secretary of the Party Committee of the Company, deputy chairman of labour union of the Company and member of the Corporate Discipline Committee of the Company since July 2002. Mr. Chen graduated from the Chemistry Department of the Capital Normal University in July 1989, and was granted the qualification as a financial economist by the PRC Ministry of Personnel in November 1997.

Tao Libin

born in November 1977, was a lecturer of the Statistics and Finance Department of the University of Science and Technology of China from June 2003 to April 2005, and has been a lecturer, vice chair and associate professor of the Investment Department of the School of Banking and Finance of the University of International Business and Economics since January 2009. He has been the Supervisor of the Company since October 2016. Mr. Tao Libin graduated from the Statistics and Finance Department of the University of Science and Technology of China with a bachelor's degree in finance in July 2000 and a master's degree in finance in June 2003, and graduated from the Faculty of Business and Economics of the University of Hong Kong with a doctorate degree in finance in September 2008. Mr. Tao Libin was entitled as an associate professor in December 2012.

Other senior management (8 people)

Chen Jing

born in January 1963, holds a master degree in Engineering, and is a senior engineer. She is currently the chairman of labor union committee of our Company. From March 1997 to March 2000, Ms. Chen served consecutively as deputy 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 Galaxy Limited. 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 served as the Vice President of our Company from August 2007 to March 2017 and a member of the executive committee of our Company from December 2012 to March 2017. Ms. Chen has been the chairman of our labor union committee of our Company since October 2012. She has been the chairman and legal representative of Galaxy Yuanhui since December 2015. Ms. Chen obtained a bachelor's degree in engineering from Huazhong Institute of Science and Technology (currently known as Huazhong University of Science and Technology) in July 1984, and a master's degree in engineering from Xidian 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.



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Li Xianglin

born in October 1967, holds a master's degree in literature. He is currently a member of the executive committee and Vice President of our Company. From May 1992 to May 1993, he served as a clerk of Overseas Chinese Affairs Office of the State Council. From May 1993 to March 2001, he served successively as manager of organisation management department, general manager of Nanjing business department, senior manager of trading department, deputy general manager of research institute (in charge of work), director of the president's office, general manager of Tianjin branch of Huaxia Securities Co., Ltd. From May 2001 to September 2009, he served successively as assistant to president and general manager of Beijing management headquarters of Bohai Securities Co., Ltd., Party Committee member and vice president of Bohai Securities Co., Ltd. From September 2009 to December 2014, he served successively as Party Committee member, deputy general manager and general manager of Beijing asset management branch, deputy secretary of Party Committee, deputy general manager and general manager of Beijing asset management branch of Hongyuan Securities Co., Ltd. From January 2015 to August 2016, he served as deputy general manager of Shenwan & Hongyuan Securities Co., Ltd. He has been a member of the executive committee and Vice President of our Company since August 2016, and chairman of Galaxy Futures since December 2016. Mr. Li obtained a bachelor's degree in literature from Nankai University in July 1989, a master's degree in literature from Renmin University of China in June 1992 and EMBA from Peking University in July 2006.

Wei Xiaohui

born in March 1963, holds a master's degree in business administration, and is an accountant. She is currently a member of the Party Committee, a member of Executive Committee and Vice President of our Company. From February 1991 to September 1996, she served successively as funding director of fund settlement center, deputy general manager of Chaoyang Consultation Company (朝陽諮詢公司, a secondary enterprise of Shenzhen Petrochemical Group), deputy general manager of information and advertising company of Shenzhen Petrochemical Group. From November 1996 to December 2003, she served successively as general manager of funding and finance department, general manager of E-commerce headquarters, and vice president of brokerage business and general manager of market development department of Guoxin Securities Co., Ltd. From January 2004 to September 2005, she was designated to work in the former China Southern Securities takeover group, responsible for international business department, finance and planning department, China Southern Securities (Hong Kong) and special audit. From September 2005 to December 2016, she served successively as Party Committee member, person in charge of compliance, chief risk officer, chief audit officer and vice president of China Investment Securities Co., Ltd. From September 2015 to December 2016, she served as chairman and legal representative of China Investment Securities Investment Co. Ltd. Ms. Wei obtained a master's degree in business administration from Hong Kong University of Science and Technology in November 2006. She passed the national examination and obtained accountant qualification from Ministry of Finance of the PRC in October 1994.



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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 as well as the Chief Business Officer of Equity Financing Business of our Company, and a member of the executive committee of our Company being 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 has been serving as a member of the executive committee of the Company from December 2012, served as a director of Beijing Equity Trading Center from December 2013 to April 2016, and as a member of the economic committee of the CAPD since September 2015. Mr. Wang obtained a bachelor's degree in accounting from Changchun Institute of Tax in December 1995, a master's degree in accounting 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.

Yin Yanwu

born in March 1974, holds master's degrees in Quantitative and Computational Finance. He is the Chief Business Officer of Asset Management Business and a member of the executive committee of the Company. He is also the director and chairman of Galaxy Jinhui. He is responsible for the asset management business, research and institutional business of our Company. From July 1997 to March 2003, he worked at Economic Crime Investigation Division of Ministry of Public Security of PRC. From September 2003 to May 2005, he studied at US Georgia Institute of Technology. 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. He has been the director of the asset management business and a member of executive committee of the Company since December 2012. Since September 2014, he has been serving as the director and chairman of Galaxy Jinhui. 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.

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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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. Since January 2016, Mr. Wu served in Zunyi City of Guizhou Province, and his duties in the Company have been acted by Ms. Chen Jing (vice president). 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.

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 July 1999 to February 2010, Mr. Li served consecutively as director-level clerk of general office division, deputy division director of auditing division, deputy division director of general office division, division director of financial budgeting management division and division director of general office division of accounting department in CSRC. 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 VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

II. POSITIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN OTHER ENTITIES

(i) Positions in Shareholder Entities

Name of employee	Name of shareholder entity	Position in shareholder entity	Starting date of term of office	Expiry date of term of office
Chen Gongyan	Galaxy Financial Holdings	Chairman	May 2016	Present
Gu Weiguo	Galaxy Financial Holdings	Director	June 2011	Present
Du Ping	Galaxy Financial Holdings	General Manager	February 2015	Present
Zhong Cheng	Galaxy Financial Holdings	Supervisor	August 2005	Present
Chen Youan	Galaxy Financial Holdings	Director and Chairman	September 2009	June 2011
(resigned)	Galaxy Financial Holdings	Director and General manager	June 2011	May 2012
	Galaxy Financial Holdings	Director and Chairman	June 2012	April 2016

(ii) Positions in other entities

Name of employee	Name of other entity	Position in other entity	Starting date of term of office	Expiry date of term of office
Chen Gongyan	Huijin	deputy general manager	August 2016	Present
	Securities Association of China	Chairman	June 2011	Present
Gu Weiguo	Securities Association of China	director	April 2012	Present
	Margin Financing Committee of the Securities Association of China	chairman	April 2016	Present
	Financial Law Behaviour Research Society of the China Behaviour-law Association	deputy chairman	December 2015	Present
	Policy Advisory Committee of the Fourth Board of Governor of the Shanghai Stock Exchange	committee member	September 2016	Present
Du Ping	Galaxy International Holdings	director, chairman	February 2011	Present
	Zhengtong Co., Ltd	director	January 2015	Present
Du Ping	Galaxy Dahua Low Carbon Industry (Tianjin) Fund Management Company Limited	chairman	June 2015	Present
Liu Feng	Swiss Trust Advisors AG	director	July 2014	Present
	Swiss Investment Consulting (Shanghai) Co., Ltd.	executive director	July 2014	Present
	McGill University, Canada	Part-time professor	January 2006	Present
	Beijing Capital Financial Asset Exchange Information Service Co., Ltd.	independent director	June 2016	Present



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Name of employee	Name of other entity	Position in other entity	Starting date of term of office	Expiry date of term of office
Wu Yuwu	The Chinese University of Hong Kong	Professor	July 1995	Present
Chi Fulin	China (Hainan) Institute for Reform and Development	director	June 1993	Present
Zhong Cheng	Galaxy Futures	Chairman of the Supervisory Committee	July 2011	November 2018
Lui Zhiyi	Beijing National Accounting Institute	part-time professor	September 2012	December 2020
Chen Jijiang	Beijing Financial Street Human Resources Association	vice chairman	July 2014	Present
Tao Libin	University of International Business and Economics	vice chair and associate professor of the Investment Department of the School of Banking and Finance	January 2009	Present
	Beijing Kai Yuan Ju Tuo Technology Co., Ltd.	Legal representative, general manager, executive director	May 2011	Present
Chen Jing	Securities Association of China	vice chairman of over-the-counter market committee	April 2013	Present
	Galaxy Financial Holdings Working Committee under the National Committee of the China Financial Labour Union	vice chairman	July 2013	Present
	Fourth Session Funding Review Committee of the China Financial Labour Union	executive member	July 2013	Present
	China Computer User Association	executive director and chairman of Cloud Application Branch	January 2010 April 2015	Present Present
Li Xianglin	Securities Association of China	member of Asset Management Business Committee	September 2011	Present
	Securities Association of Beijing	chairman of Brokerage Business Committee	December 2016	Present
Wei Xiaohui	Huoshan County Orphan Helping and Education Aiding Society	head of accounting and director	June 2009	Present
	China Investment Securities Investment Co., Ltd.	Chairman	September 2015	December 2016
Wang Liuqi	Investment Banking Committee of the Securities Association of China	vice chairman	September 2013	Present
	Economic Committee of the CAPD	member	September 2015	Present
Yin Yanwu	Asset Management Business Committee of the Securities Association of Beijing	vice chairman	January 2014	Present



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Name of employee	Name of other entity	Position in other entity	Starting date of term of office	Expiry date of term of office
Zhu Ruimin	Securities Association of China	member of Financial, Accounting and Risk Control Committee	August 2011	Present
Wu Jianhui	Financial Talent Committee of the China Talent Research Association	vice chairman	January 2013	Present
	Securities Association of China	vice chairman of Human Resources Management Committee	October 2013	Present
Li Shuhua	Securities Association of China	member of First Committee of Compliance of Securities Companies	March 2011	Present
	Securities Association of China	assessment expert of securities companies	January 2011	Present
	China Financial Accounting Association	vice secretary general	September 2006	Present
	Securities Association of Beijing	vice chairman of First Committee of Compliance of Securities Companies	February 2013	Present
	Ministry of Finance	member of Corporate Internal Control Standard Committee	February 2017	Present
	Ministry of Finance	member of Corporate Informatisation Committee	August 2006	Present
	Financial Accounting Committee of China Accounting Standards Board	advisory expert	May 2007	Present
	Chinese Institute of Finance and Cost for Young and mid-career professionals	director	July 2005	Present
Chen Youan (resigned)	Central Huijin	deputy general manager	July 2008	May 2016
	Galaxy Futures	chairman	October 2013	December 2016
Yu Wenxiu (resigned)	Financial Branch Council of the China Supervisory Society	director	September 2012	Present
Feng Heping (resigned)	PricewaterhouseCoopers Certified Public Accountants	senior consultant	October 2014	Present
	Bank of Tianjin	independent director	March 2015	May 2018
	Yinhua Fund Management Co., Ltd.	independent director	August 2016	Present
Zhu Yongqiang (resigned)	Securities Association of Beijing	chairman of Brokerage Business Committee	January 2015	December 2016
	Securities Association of China	vice chairman of Securities Internet Committee	March 2015	December 2016

Note: The table only provides the term of the first position if there are multiple positions.



SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

III. 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 the Company did not granted any share options to Directors, Supervisors and senior management of the Company.

(iv) Deferred payments of remunerations

The information of the actual amount of remuneration for 2016 and postponed payment for 2016 will be disclosed after the settlement of remuneration for the year.

(v) Actual remuneration of the existing senior Directors, Supervisors and management and those resigned during the reporting period

Please see "I. Basic information on the existing and resigned Directors, Supervisors and senior management during the Reporting Period" of this section for details of the actual remuneration of the existing Directors, Supervisors and senior management and those resigned received from the Company during the Reporting Period.



SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(i) Changes in Directors

1. On 25 April 2016, Mr. Chen Youan had tendered his resignation as the Chairman and an Executive Director of the Company due to work arrangements.
2. On 18 October, 2016, the Company convened the second extraordinary general meeting for 2016, at which Mr. Chen Gongyan had been elected as an Executive Director of the third session of the Board of the Company; on the same day, the Company convened the seventeenth meeting of the third session of the Board, at which Mr. Chen Gongyan was elected as the Chairman of the Board of the Company. Meanwhile, pursuant to the articles of association of the Company and other systems, Mr. Chen Gongyan has also served as the Legal Representative, the Chairman of the Strategy and Development Committee of the Board and the Chairman of the Executive Committee of the Company.

(ii) Changes in Supervisors

1. On 13 October 2016, Mr. Yu Wenxiu had tendered his resignation as a Supervisor and the chairman of the Supervisory Committee of the Company due to work arrangements.
2. On 18 October 2016, Mr. Feng Heping had tendered his resignation as an external Supervisor of the Company due to his intention to focus on his other work commitments and engagements.
3. On 18 October 2016, Mr. Tao Libin was elected as a Supervisor of the third session of the Supervisory Committee of the Company at the second extraordinary general meeting for 2016.

(iii) Changes in senior management

1. On 29 July 2016, the third session of the Board ceased the employment of Ms. Huo Xiaoyu as a member of the Executive Committee and the Vice President of the Company since she cannot perform her duties.
2. On 30 August 2016, the third session of the Board ceased the employment of Mr. Zhu Yongqiang as a member of the Executive Committee and Chief Officer of Brokerage Business of the Company due to his personal work arrangement.
3. On 30 August 2016, the third session of the Board appointed Mr. Li Xiangli as a member of the Executive Committee and the Vice President of the Company.

V. PARTICULARS OF PENALTIES BY SECURITIES REGULATORY AUTHORITIES WITHIN THE LAST THREE YEARS

In the last three years, no director, supervisor and senior management of the Group is penalised by securities regulator authorities.

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

VI. STAFF AND REMUNERATION

(i) Numbers and composition of staffs

As at 31 December 2016, the Group had 10,465 employees (including client managers in sales), of which 9,473 (including client managers in sales) were employees of the Company, and their compositions are set out below:

Item	The Group		The Company	
	Number of persons	Percentage (%)	Number of persons	Percentage (%)
Profession Structure				
Securities brokerage	8,078	77.19%	7,997	84.42%
Futures brokerage	467	4.46%	0	0.00%
Investment banking	344	3.29%	326	3.44%
Assets management	117	1.12%	0	0.00%
Proprietary trading	64	0.61%	60	0.63%
Private equity investment	12	0.11%	0	0.00%
Investment research	139	1.33%	115	1.21%
Clearing	100	0.96%	70	0.74%
Legal/Risk Control/Audit	276	2.64%	237	2.50%
IT	396	3.78%	333	3.52%
Planning and Finance	241	2.30%	216	2.28%
Administrative management	231	2.21%	119	1.26%
Total	10,465	100.00%	9,473	100.00%
Educational Background				
Doctors	75	0.72%	69	0.73%
Masters	1,425	13.62%	1,174	12.39%
Bachelors	6,463	61.76%	5,910	62.39%
Associate degree and below	2,502	23.91%	2,320	24.49%
Total	10,465	100.00%	9,473	100.00%
Age				
30 or below	3,883	37.10%	3,487	36.81%
31-40	3,477	33.23%	3,093	32.65%
41-50	2,526	24.14%	2,365	24.97%
51 or above	579	5.53%	528	5.57%
Total	10,465	100.00%	9,473	100.00%
Profession Structure (Field of study)				
Economics	3,677	35.14%	3,318	35.03%
Business Administration	2,947	28.16%	2,763	29.17%
Information and Electronic Science	1,314	12.56%	1,190	12.56%
Other	2,527	24.15%	2,202	23.25%
Total	10,465	100.00%	9,473	100.00%



SECTION VIII 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.

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.

(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 method to effectively make up the deficiency arisen from time, space and cost of traditional training mode quickly replicate the best practices and gradually enhance professional ethics, professional qualities and skills of basic-level staffs.

(iv) Labour outsourcing

Total working hours outsourced	245,300 standard working hours
Total remuneration paid for labour outsourcing	RMB10,220,000

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 branch is responsible for the daily management of brokers. As of the end of the Reporting Period, there were 931 brokers working for the Company.



SECTION IX CORPORATE GOVERNANCE REPORT

I. INFORMATION ON CORPORATE GOVERNANCE

(i) Overview of corporate governance

As a company 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) Information of insider registration management

Subject to the Requirements for the Establishment of Administrative System for Registration of Insider of Listed Companies issued by the CSRC, the Company has formulated and strictly implemented the Insider Registration System of the Company, and has conducted registration and filing of insiders in accordance with requirements under the system.

(iii) Corporate governance policies and the responsibilities of the Board in respect of corporate governance

The Company strictly complied with the Stock Exchange Listing Rules and related code provisions as corporate governance policies. In respect of corporate governance, the duties of the Board are:

- (a) to develop and review an issuer's policies and practices on corporate governance;
- (b) to review and supervise the training and continuing occupational development for the Directors and senior management;
- (c) to review and supervise the Company's policies and standards in complying with relevant laws and regulatory rules;
- (d) to develop, review and supervise the code of conduct and compliance manual applicable to employees and directors;
- (e) to review the Company's compliance with the code provision and the disclosure in the Corporate Governance Report.



SECTION IX CORPORATE GOVERNANCE REPORT

II. INTRODUCTION TO GENERAL MEETINGS

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 rules of procedure 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 2016, the Company has convened 5 general meetings to answer the concerns of shareholders in detail and to carefully listen to opinions and suggestions by the shareholders regarding the development of the Company.

During the Reporting Period, the Company convened 3 general meetings and one for each of Domestic Share and H Share class meetings, the details and resolutions of which are as follows:

No. of session	Date	Index for details on websites designated for publishing resolutions	Date of Disclosure
First extraordinary general meeting for 2016	24 March 2016	www.hkexnews.hk www.chinastock.com.cn	24 March 2016
Domestic share class meeting	24 March 2016	www.hkexnews.hk www.chinastock.com.cn	24 March 2016
H share class meeting	24 March 2016	www.hkexnews.hk www.chinastock.com.cn	24 March 2016
Annual general meeting	6 June 2016	www.hkexnews.hk www.chinastock.com.cn	6 June 2016
Second extraordinary general meeting for 2016	18 October 2016	www.hkexnews.hk www.chinastock.com.cn	18 October 2016

Notes to general meetings:

During the Reporting Period, the Company held 5 general meetings, details of which are as follows:

- On 24 March 2016, the first extraordinary general meeting for 2016 was held, at which the amendments to the A Share Offering Plan and the extension of its validity period, the amendments to the Authorizations Concerning the A Share Offering and the extension of its validity period, the proposal on the dilution of current returns as a result of the A Share Offering and the remedial measures to be adopted, the connected transactions with Bank of Tianjin for the year 2015, the connected transactions with Bank of Tianjin for the year 2016, the connected transactions with China Investment Securities for the year 2016 and the continuing connected transactions between the Company and Galaxy Fund were considered and approved.
- On 24 March 2016, a domestic share class meeting was held, at which the amendments to the A Share Offering Plan and the extension of its validity period, the amendments to the Authorizations Concerning the A Share Offering and the extension of its validity period, and the proposal on the dilution of current returns as a result of the A Share Offering and the remedial measures to be adopted were considered and approved.
- On 24 March 2016, a H share class meeting was held, at which the amendments to the A Share Offering Plan and the extension of its validity period, the amendments to the Authorizations Concerning the A Share Offering and the extension of its validity period, and the proposal on the dilution of current returns as a result of the A Share Offering and the remedial measures to be adopted were considered and approved.
- On 6 June 2016, an annual general meeting was held, at which the report of the board of directors for 2015, the report of the supervisory committee for 2015, the 2015 annual report, the final accounts report for 2015, the profit distribution plan for 2015, the capital expenditure budget for 2016, the re-appointment of the external auditing firms of the Company for 2016, the special report on the deposit and the actual utilization of the previously raised proceeds, the general mandate to issue shares, the amendments to the proposal on authorization granted to the board of directors by the shareholders' general meeting were considered and approved.
- On 18 October 2016, the second extraordinary general meeting for 2016 was held, the election of Mr. Chen Gongyan as an Executive Director of the third session of the Board of the Company, the election of Mr. Tao Libin as a Supervisor of the third session of the Supervisory Committee of the Company, the remuneration plan for Mr. Chen Youan and Mr. Yu Wenxiu for 2012-2014, the remuneration plan for Mr. Zhong Cheng for 2014, and the special reports on the utilization of the previously raised proceeds were considered and approved.

SECTION IX CORPORATE GOVERNANCE REPORT

III. BOARD MEETINGS AND PERFORMANCE OF DUTIES BY DIRECTORS

(i) 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 currently comprises of 11 Directors, which includes 3 executive Directors (Mr. Chen Gongyan, Mr. Gu Weiguo and Mr. Wu Chengming), 4 non-executive Directors (Mr. Du Ping, Mr. Shi Xun, Mr. Zhang Jinghua and Mr. Li Chaoyang), 4 independent non-executive Directors (Mr. Liu Feng, Mr. Luo Lin, Mr. Wu Yuwu and Mr. Chi Fulin), among which the number of independent Directors accounts for more than one third of the number of Directors. Mr. Chen Gongyan 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. During the Reporting Period, Mr. Chen Youan resigned as the Chairman and executive Director of the Company with effect from 25 April 2016. Mr. Chen Gongyan was elected as an executive Director of the Company at the second extraordinary general meeting for 2016 held on 18 October 2016, and was elected as the Chairman at the 17th meeting of the third session of the Board held on the same day.

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 Stock Exchange 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.

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

Name of Directors	Independent director	Required attendance during the year	Attendance at Board meetings				Attendance at general meetings	
			Attendance in person	Of which: attendance by communication	Of which: attendance by proxy	Absence from two consecutive meetings	Attendance at general meetings	
Chen Gongyan	No	5	5	0	0	No	–	
Gu Weiguo	No	11	9	0	2	No	5	
Du Ping	No	12	9	0	3	No	5	
Shi Xun	No	12	10	0	2	No	5	
Zhang Jinghua	No	12	12	0	0	No	5	
Wu Chengming	No	11	11	0	0	No	5	
Liu Feng	Yes	12	12	2	0	No	5	
Luo Lin	Yes	12	12	2	0	No	5	
Wu Yuwu	Yes	12	12	2	0	No	5	
Chi Fulin	Yes	12	8	5	4	Yes	2	
Li Chaoyang	No	12	12	3	0	No	5	
Chen Youan (resigned)	No	3	3	0	0	No	3	



SECTION IX CORPORATE GOVERNANCE REPORT

Note 1: During the term of office of Mr. Chen Gongyan as the Chairman in 2016, the Company held 5 Board meetings and no general meeting. He attended all these meetings;

Note 2: During the term of office of Mr. Chen Youan in 2016, the Company held 3 Board meetings and 3 general meetings. He attended all these meetings.

Note 3: On 8 March 2016, Chi Fulin, a Director, appointed Mr. Liu Feng, a Director, to attend and vote at the 12th meeting (extraordinary) of the third session of the Board as he was attending the fourth meeting of the Twelfth National People's Congress of the People's Republic of China and the fourth meeting of the Twelfth National Committee of the Chinese People's Political Consultative Conference. On 24 March 2016, Chi Fulin, a Director, appointed Mr. Liu Feng, a Director, to attend and vote at the 11th meeting (regular) of the third session of the Board, as he was attending the Annual Meeting of Boao Forum for Asia 2016.

(iii) Operation of the Board

During the Reporting Period, the Company held 12 Board meetings, all of which held both on-site and through communication, details of which are as follows:

1. On 15 January 2016, the Company held the 10th meeting (extraordinary) of the third session of the Board, at which the resolution on reviewing and amending the "Plan of IPO of A Shares and Listing of China Galaxy Securities Co., Ltd." and further extension of the validity period of the plan, the resolution on reviewing and amending the 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 the dilution of current returns as a result of the A Share Offering of China Galaxy Securities Co., Ltd. and the remedial measures to be adopted, the resolution on the connected transaction with Bank of Tianjin for bonds business in 2015, the resolution on the connected transaction between China Galaxy Securities Co., Ltd. and Bank of Tianjin, the resolution on the connected transaction between China Galaxy Securities Co., Ltd. and China Investment Securities, the resolution on the connected transaction between China Galaxy Securities Co., Ltd. and Galaxy Fund, the resolution on the proposal for convening the first extraordinary general meeting for 2016, the domestic share class meeting for 2016 and the H share class meeting for 2016 were considered and passed.
2. On 8 March 2016, the Company held the 12th meeting (extraordinary) of the third session of the Board, at which the resolution on the undertaking by the Company on compensation for investor loss in advance when acting as the sponsor for an initial public offering project and the relevant mandate was considered and passed.
3. On 24 March 2016, the Company held the 11th meeting (regular) of the third session of the Board, at which the resolution on reviewing the financial statements of China Galaxy Securities Co., Ltd. for 2015, the resolution on reviewing the profit distribution proposal of profit distribution proposal for 2015, the resolution on reviewing the financial statements of China Galaxy Securities Co., Ltd. for three years and auditors' report, the resolution on reviewing the special report on the use of funds previously raised by China Galaxy Securities Co., Ltd., the resolution on reviewing the president's work report for 2015, the resolution on reviewing the compliance report of the Company for 2015, the resolution on reviewing the risk management report of China Galaxy Securities Co., Ltd. for 2015, the resolution on reviewing the internal control report of the Company for 2015, the resolution on the change of joint company secretary and authorised representative of China Galaxy Securities Co., Ltd., the resolution on reviewing the annual report of China Galaxy Securities Co., Ltd. for 2015, the work report of the Board for 2015, the resolution on appointment of external auditors of the Company for 2016, the resolution on the work plan of China Galaxy Securities Co., Ltd. for 2016, the resolution on the capital expenditure budget of China Galaxy Securities Co., Ltd. for 2016, the resolution on the application for increase in the registered capital of a subsidiary of the Company in Hong Kong, the resolution on the general mandate to issue shares, the resolution on reviewing and amending the Anti-Money Laundering and Anti-Terrorism Financing Work Management System of China Galaxy Securities Co., Ltd., the resolution on reviewing the amendments to the authorisation of the shareholders' meeting to the Board, the resolution on reviewing the mandate by the Board to the president for 2016, the resolution on reviewing and amending the risk appetite of China Galaxy Securities Co., Ltd., and the resolution on convening the annual general meeting of China Galaxy Securities Co., Ltd. for 2015 were considered and passed; the work reports for 2015 and work plans for 2016 of the committees under the Board and the report on the anti-laundering work of China Galaxy Securities Co., Ltd. for 2015 were heard.



SECTION IX CORPORATE GOVERNANCE REPORT

4. On 31 May 2016, the Company held the 13th meeting (extraordinary) of the third session of the Board, at which the resolution on the dealer-quoted bond repurchase connected transaction between China Galaxy Securities Co., Ltd. and Galaxy Financial Holdings, the resolution on the remuneration settlement plan for senior management of the Company for the years from 2012 to 2014, and the resolution on reviewing the appraisal plan of deputy officers of China Galaxy Securities Co., Ltd. for 2015 were considered and passed.
5. On 29 July 2016, the Company held 14th meeting (extraordinary) of the third session of the Board, at which the resolution on termination of appointment of Huo Xiaoyu as member of the Executive Committee and vice president of the Company was considered and passed.
6. On 30 August 2016, the Company held the 15th meeting (regular) of the third session of the Board, at which the resolution on the interim report of China Galaxy Securities Co., Ltd. for 2016, the interim compliance report of the Company for 2016, the resolution on the internal control assessment report of Galaxy Jinhui for the first half of 2016, the financial statements and auditors' report of China Galaxy Securities Co., Ltd. for three years and one period, the resolution on reviewing the special report on the use of funds previously raised by China Galaxy Securities Co., Ltd., the resolution on the Work Plan Management Rules of China Galaxy Securities Co., Ltd., the resolution on application for net capital guarantee to be provided by the parent company, the resolution on proposal for no renewal of the Senior Management Appointment Agreement with Mr. Zhu Yongqiang, the resolution on recommendation of Mr. Chen Gongyan as a candidate for director of the Company, the resolution on appointment of Mr. Li Xianglin as member of the Executive Committee and Vice President of the Company, and the resolution on convening of the second extraordinary general meeting of the Company for 2016 were considered and passed; the report on the operation of the Company for the first half of 2016 was heard.
7. On 29 September 2016, the 16th meeting (extraordinary) of the third session of the Board was held, at which the resolution on reviewing the matters regarding proposed acquisition of securities business of CIMB Group and the resolution on determination of fixed salary standard for senior management of the Company were considered and passed.
8. On 18 October 2016, the 17th meeting (extraordinary) of the third session of the Board was held, at which the resolution on election of Mr. Chen Gongyan as Chairman of the third session of the Board of China Galaxy Securities Co., Ltd. and the resolution on amendments to the Rules of Procedures of the Executive Committee were considered and passed.
9. On 8 December 2016, the 18th meeting (extraordinary) of the third session of the Board was held, at which the resolution on reviewing the interim financial statements and review report of China Galaxy Securities Co., Ltd. for the period from 1 January 2016 to 30 September 2016 was considered and passed.
10. On 20 December 2016, the 19th meeting (regular) of the third session of the Board was held, at which the resolution on reviewing the proposal for mandate to be granted by the Board to the Executive Committee was considered and passed.
11. On 21 December 2016, the 20th meeting (regular) of the third session of the Board was held, at which training was provided to Directors on the compliance review for listed companies in Hong Kong, which mainly covers: the duties and obligations of the directors of a listed company, the insider information provisions, continuing obligations under the Stock Exchange Listing Rules (including notifiable transactions and connected transactions) and obligations under other Hong Kong laws and regulations.
12. On 21 December 2016, the second meeting of non-executive Directors of the third session of the Board was held, at which they conducted communication and exchange about the development of the Board and the matters regarding the operation and management of the Company.



SECTION IX CORPORATE GOVERNANCE REPORT

(iv) Objection raised by the independent Directors to the relevant issues of the Company

At the 11th meeting (regular) of the third session of the Board held on 24 March 2016, Mr. Wu Yuwu, a Director, voted against the resolution on application for increase in registered capital of a subsidiary of the Company in Hong Kong, for the following reason: HK\$3 billion out of the HK\$4 billion capital injection may have significant impacts but there is no information in the relevant feasibility report about assessment of its risks and expected returns.

(v) Term of office of non-executive Directors

The Company has four non-executive Directors and 4 independent non-executive Directors, all of which are appointed for a term of three years.

(vi) 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.

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 Gongyan 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 Gongyan, 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.



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(vii) Training for Directors

Date of training	Training contents	Training Participants
26 to 29 April 2016	Training by Hong Kong Institute of Chartered Secretaries on risk management and governance control	Shi Xun, Zhang Jinghua, Wu Chengming
20 May 2016	Interpretation of the Risk Management, Internal Control, Environmental, Social and Governance Reporting Guides issued by the Hong Kong Stock Exchange and the relevant requirements	Gu Weiguo, Du Pin, Shi Xun, Zhang Jinghua, Wu Chengming, Liu Feng, Luo Lin, Wu Yuwu, Chi Fulin, Li Chaoyang
22 July 2016	Financial Report Review Plan-Reports completed in 2015	Gu Weiguo, Du Pin, Shi Xun, Zhang Jinghua, Wu Chengming, Liu Feng, Luo Lin, Wu Yuwu, Chi Fulin, Li Chaoyang
12 to 18 August 2016	15th session of special training by CIC on directors and supervisors	Shi Xun, Zhang Jinghua
29 August 2016	Opportunities and challenges brought by the combination of "Internet+" finance	Du Ping
31 August 2016	How to promote the development of local industry with financial thinking	Du Ping
27 September 2016	Introduction to CRS background and dynamics, China's CRS regulations, and their impacts on securities companies and corresponding measures to be adopted	Gu Weiguo, Du Pin, Shi Xun, Zhang Jinghua, Wu Chengming, Liu Feng, Luo Lin, Wu Yuwu, Chi Fulin, Li Chaoyang
21 December 2016	Overview of compliance for companies listed in Hong Kong, mainly including the duties and obligations of the directors of a listed company, the insider information provisions, continuing obligations under the Stock Exchange Listing Rules (including notifiable transactions and connected transactions) and obligations under other Hong Kong laws and regulations	Chen Gongyan, Gu Weiguo, Du Pin, Zhang Jinghua, Shi Xun, Wu Chengming, Liu Feng, Luo Lin, Wu Yuwu, Chi Fulin, Li Chaoyang



SECTION IX CORPORATE GOVERNANCE REPORT

IV. COMPOSITION AND OPERATION OF SPECIAL COMMITTEES UNDER THE BOARD

The Strategic and Development Committee, the Risk Management Committee, the Nomination and Remuneration Committee and the Audit Committee have been established under the Board. The Committee shall assist in the work of the Board within the terms of reference of the rules of procedure, be responsible for the Board and report to the Board. Composition of the special committees under the Board is as follows:

Name of committee	Chairman	Member
Strategic Development Committee	Chen Gongyan	Executive Directors: Chen Gongyan, Gu Weiguo, Wu Chengming Non-executive Directors: Du Ping, Shi Xun, Zhang Jinghua, Li Chaoyang Independent non-executive Directors: Liu Feng, Luo Lin, Wu Yuwu, Chi Fulin
Risk Management Committee	Shi Xun	Executive Directors: Gu Weiguo, Wu Chengming Non-executive Directors: Du Ping, Shi Xun, Zhang Jinghua, Li Chaoyang Independent non-executive Director: Liu Feng
Nomination and Remuneration Committee	Liu Feng	Non-executive Directors: Shi Xun, Li Chaoyang Independent non-executive Directors: Liu Feng, Luo Lin, Wu Yuwu, Chi Fulin
Audit Committee	Luo Lin	Non-executive Directors: Shi Xun, Zhang Jinghua Independent non-executive Directors: Liu Feng, Luo Lin, Wu Yuwu, Chi Fulin

Note: Mr. Chen Youan resigned as the Chairman and an executive Director of the Company and ceased to act as the chairman of the Strategic Development Committee under the Board with effect from 25 April 2016. Mr. Chen Gongyan has been acting as executive Director and Chairman of the third session of the Board, with effect from 18 October 2016. Mr. Chen Gongyan also acts as the chairman of the Strategic Development Committee under the Board in accordance with the Articles of Association.

(i) Strategy and Development Committee

1. Functions of the Committee

The essential duties and responsibilities of the Strategy and Development Committee are: to review the strategic development plans and to make recommendations to the Board, to review the Company's strategic capital allocation plans and to make recommendations to the Board, to evaluate the balanced development of various businesses and to make recommendations to the Board, to review the major organizational restructuring and organizational structure plans and to make recommendations to the Board, to conduct preliminary review of the Company's major investments, assets disposals and financing plans and to make recommendations to the Board, to study other major issues affecting the development of the Company and to make recommendations to the Board and 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 5 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, increase in capital of subsidiary foreign investment. Recommendations were made to the Board, which effectively assisted the Board in carrying out related work.



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

- (1) On 15 January 2016, the 5th meeting of the Strategic Development Committee under the third session of the Board was held, at which the proposal on the dilution of current returns as a result of the A Share Offering of China Galaxy Securities Co., Ltd. and the remedial measures to be adopted, the proposal for the work plan of China Galaxy Securities Co., Ltd. for 2016, the proposal for the capital expenditure budget of China Galaxy Securities Co., Ltd. for 2016 and the work report of the Board for 2015 were preliminarily reviewed and approved for submission to the Board for review.
- (2) On 26 February 2016, the 6th meeting of the Strategic Development Committee under the third session of the Board was held, at which the resolution on reviewing the profit distribution proposal of China Galaxy Securities Co., Ltd. for 2015, the resolution on application for increase in registered capital of a subsidiary of the Company in Hong Kong, the resolution on the general mandate to issue shares, and the work report of the Strategic Development Committee for 2015 were preliminarily reviewed and approved for submission to the Board for review.
- (3) On 9 August 2016, the 7th meeting of the Strategic Development Committee under the third session of the Board was held, at which the resolution on reviewing the application by Galaxy Jinhui for net capital guarantee to be provided by the parent company and the resolution on reviewing the application for increase in the capital of Galaxy Yuanhui Investment Co., Ltd. were preliminarily reviewed and approved for submission to the Board for review.
- (4) On 14 September 2016, the 8th meeting of the Strategic Development Committee under the third session of the Board was held, at which the resolution on reviewing the matters regarding proposed acquisition of securities business of CIMB Group were preliminarily reviewed and approved for submission to the Board for review.
- (5) On 21 December 2016, the 9th meeting of the Strategic Development Committee under the third session of the Board was held, at which the special report on the brokerage, investment banking, assets management and investment business and overseas mergers and acquisitions, the consolidation of corporate workflow, the adjustment to organizational structure and human resource management of the Company was heard, and the resolution on reviewing the application from Galaxy Jinhui on increase in registered capital was preliminarily reviewed and approved for submission to the Board for review.



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3. Attendance of members

Name of Members	Required Attendance at Meetings	Actual Attendance
Chen Gongyan	1	1
Gu Weiguo	5	5
Wu Chengming	5	5
Du Ping	5	4
Zhang Jinghua	5	5
Shi Xun	5	5
Liu Feng	5	5
Luo Lin	5	5
Wu Yuwu	5	5
Chi Fulin	5	3
Li Chaoyang	5	5
Chen Youan (resigned)	2	2

Note 1: Mr. Chen Gongyan has been acting as executive Director and chairman of the third session of the Board, with effect from 18 October 2016. Mr. Chen Gongyan also acts as the chairman of the Strategic Development Committee under the Board in accordance with the Articles of Association.

Note 2: Mr. Chen Youan resigned as the Chairman and an executive Director of the Company and ceased to act as the chairman of the Strategic Development Committee under the Board with effect from 25 April 2016.

(ii) Risk Management Committee

1. Functions of the Committee

The essential duties and responsibilities of the Risk Management Committee are: to review the Company's risk management policies and risk standards, as well as the fundamental concepts and scope of compliance management, to review and provide comments on the overall target and basic policies of compliance and risk management, to supervise and monitor the development of risk and compliance management systems of the Company, to formulate the Company's corporate governance policies, and to monitor its implementation, to review and monitor the Company's policies regarding compliance with laws and regulatory rules as well as its implementation, 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 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 3 meetings and reviewed several resolutions including the 2015 Compliance Report, the 2016 Interim Compliance Report, anti-money laundering and anti-terrorism financing work management system and policies on risk appetite. The committee actively performed its duties and provided support for the Board in its decision-making.



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

- (1) On 26 February 2016, the 3rd meeting of the Risk Management Committee under the third session of the Board was held, at which the resolution on reviewing the compliance report of the Company for 2015, the resolution on reviewing and amending the Anti-Money Laundering and Anti-Terrorism Financing Work Management System of China Galaxy Securities Co., Ltd., the risk management report of the Company for 2015, the resolution on reviewing the mandate by the Board to the president for 2016, the resolution on reviewing and amending the risk appetite of China Galaxy Securities Co., Ltd., the work report of the Risk Management Committee for 2015 were preliminarily reviewed and submitted to the Board for review; and the report on the anti-laundering work of China Galaxy Securities Co., Ltd. for 2015 was heard.
- (2) On 8 March 2016, the 4th meeting of the Risk Management Committee under the third session of the Board was held, at which the resolution on the undertaking by the Company on compensation for investor loss in advance when acting as the sponsor for an initial public offering project and the relevant mandate was preliminarily reviewed and submitted to the Board for review.
- (3) On 9 August 2016, the 5th meeting of the Risk Management Committee under the third session of the Board was held, at which the interim compliance report of the Company for 2016 was preliminarily reviewed and submitted to the Board for review.

3. Attendance of members

Name of Members	Required Attendance at Meetings	Actual Attendance
Shi Xun	3	3
Gu Weiguo	3	2
Du Ping	3	3
Zhang Jinghua	3	3
Wu Chengming	3	3
Liu Feng	3	3
Li Chaoyang	3	3



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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: to make recommendations to the Board on the size and composition of the Board and the Board committees based on the operations, the total amount of assets and the equity structure of the Company, 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, to review the selection criteria and procedures for Directors and senior management and to make recommendations to the Board, to search broadly for qualified individuals as candidates for Directors and senior management, 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, 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, to make recommendations to the Board on the candidates for members of other committees under the Board, to formulate development plans of the senior management and training plans of key candidates and to make recommendations to the Board, to review and provide opinions on the assessment and remuneration management systems for Directors and senior management, 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, to formulate salary incentive policies and plans for the Directors (including non-executive Directors) and senior management and to make recommendations to the Board, 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), to review the Company's basic remuneration management system and policies and to evaluate their effectiveness and 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 6 meetings, at which the committee mainly studied and discussed the Remuneration Settlement Program for the Years from 2012 to 2014, 2015 Assessment Program of Senior Management reviewed the qualifications and background of the candidates for Directors and vice presidents, 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 26 February 2016, the 3rd meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the matters regarding the change in joint company secretary and authorised representative and the report of the Nomination and Remuneration Committee for 2015 were discussed and approved for submission to the Board for review.
- (2) On 20 April 2016, the 4th meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the appraisal plan of deputy officers of China Galaxy Securities Co., Ltd. for 2015 was discussed.
- (3) On 11 May 2016, the 5th meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the resolution on the remuneration settlement plan for senior management of the Company for the years from 2012 to 2014 was discussed and approved for submission to the Board for review.
- (4) On 8 June 2016, the 6th meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the qualifications and background of Mr. Chen Gongyan, as candidate for Director, was reviewed.
- (5) On 29 August 2016, the 7th meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the qualifications and background of Mr. Li Xianglin, as candidate for member of the Executive Committee and vice president of the Company, was reviewed.
- (6) On 14 September 2016, the 8th meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the resolution on determination of fixed salary standard for senior management of the Company was preliminarily reviewed and approved for submission to the Board for review.

3. Attendance of members

Name of Members	Required Attendance at Meetings	Actual Attendance
Liu Feng	6	6
Luo Lin	6	6
Wu Yuwu	6	6
Chi Fulin	6	4
Shi Xun	6	6
Li Chaoyang	6	6



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(iv) Audit Committee

1. Functions of the Committee

The essential duties and responsibilities of the Audit Committee are: to review the disclosure of the Company's accounting information and other major issues, to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and 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, to supervise 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, to control connected transactions and conduct daily management under the leadership of the Board, to review and evaluate the Company's internal control system, to review, supervise 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 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, 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 held a total of 7 meetings, at which the resolution on connected transactions, the appointment of external auditors of the Company for 2016, the 2016 interim report of the Company, the internal control self-assessment report for the first half of 2016, and the financial statements and auditors' report for three years, and the appointment of external auditors of the Company for 2017 were discussed. During the Reporting Period, the Audit Committee seriously performed its duties and responsibilities and considered that the Company's internal control and internal audit function are effective.

Details of the meetings of the Audit Committee are as follows:

- (1) On 15 January 2016, the 5th meeting of the Audit Committee under the third session of the Board was held, at which the resolution on the connected transaction with Bank of Tianjin for bonds business in 2015, the resolution on the connected transaction between China Galaxy Securities Co., Ltd. and Bank of Tianjin, the resolution on the connected transaction between China Galaxy Securities Co., Ltd. and China Investment Securities, the resolution on the connected transaction between China Galaxy Securities Co., Ltd. and Galaxy Fund were preliminarily reviewed and approved for submission to the Board for review, and the Request for Instruction on the Financial Budgets of the Internal Audit Plan and the Internal Audit Department was approved.
- (2) On 25 February 2016, the 6th meeting of the Audit Committee under the third session of the Board was held, at which the resolution on reviewing the final financial accounts of China Galaxy Securities Co., Ltd. for 2015, the resolution on reviewing the annual report of China Galaxy Securities Co., Ltd. for 2015, the resolution on reviewing the financial statements of China Galaxy Securities Co., Ltd. for three years and auditors' report, the resolution on reviewing the special report on the use of funds previously raised by China Galaxy Securities Co., Ltd., the internal control self-assessment report of the Company for 2015 and the work report of the Audit Committee for 2015 were preliminarily reviewed and approved for submission to the Board for review; the request for instruction on the re-appointment of accounting firm for the audit of out-going persons-in-charge of branches of the Company for 2016 and the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu Certified Public Accountants as external auditors of the Company for 2016 were approved; the information on related parties for the fourth quarter of 2015 was confirmed and reported to the Board and the Supervisory Committee, and the Audit Department was authorised to disclose the confirmed information on related parties in an appropriate manner to the relevant staff of the Company and its subsidiaries in accordance with the Implementation Rules for Connected transactions Management.



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- (3) On 11 May 2016, the 7th meeting of the Audit Committee under the third session of the Board was held, at which the resolution on the dealer-quoted bond repurchase connected transaction between China Galaxy Securities Co., Ltd. and Galaxy Financial Holdings was preliminarily reviewed and approved for submission to the Board for review.
- (4) On 31 May 2016, the 8th meeting of the Audit Committee under the third session of the Board was held, at which the information on related parties of the Company for the first quarter of 2016 was confirmed and reported to the Board and the Supervisory Committee, and the Audit Department was authorised to disclose the confirmed information on related parties in an appropriate manner to the relevant staff of the Company and its subsidiaries in accordance with the Implementation Rules for Connected transactions Management.
- (5) On 9 August 2016, the 9th meeting of the Audit Committee under the third session of the Board was held, at which the interim report of the Company for 2016, the internal control self-assessment report for the first half of 2016, the resolution on reviewing the financial statements and auditors' report of China Galaxy Securities Co., Ltd. for three years and one period, the resolution on reviewing the special report on the use of funds previously raised by China Galaxy Securities Co., Ltd. and the resolution on the Work Plan Management Rules of China Galaxy Securities Co., Ltd. were preliminarily reviewed and approved for submission to the Board for review; the Audit Management Proposal for 2015 by the auditors was heard; the information on related parties of the Company for the second quarter of 2016 was confirmed and reported to the Board and the Supervisory Committee, and the Audit Department was authorised to disclose the confirmed information on related parties in an appropriate manner to the relevant staff of the Company and its subsidiaries in accordance with the Implementation Rules for Connected transactions Management.
- (6) On 10 November 2016, the 10th meeting of the Audit Committee under the third session of the Board was held, at which the information on related parties of the Company for the third quarter of 2016 and subsequent period was confirmed and reported to the Board and the Supervisory Committee, and the Audit Department was authorised to disclose the confirmed information on related parties in an appropriate manner to the relevant staff of the Company and its subsidiaries in accordance with the Implementation Rules for Connected transactions Management.
- (7) On 20 December 2016, the 11th meeting of the Audit Committee under the third session of the Board was held, at which the proposal for Implementation of internal control evaluation of the Company for 2016, the request for instruction on the audit of branches of the Company for 2017, and request for instruction on the appointment of external auditors of the Company were approved.

3. Attendance of Members

Name of Members	Required Attendance at Meetings	Actual Attendance
Luo Lin	7	7
Liu Feng	7	7
Wu Yuwu	7	7
Shi Xun	7	6
Zhang Jinghua	7	7
Chi Fulin	7	5



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V. OPERATION OF THE SUPERVISORY COMMITTEE

The Supervisory Committee performs its responsibilities and duties in accordance with the requirements of related laws and regulations and the Articles of Association and Rules of Procedure of the Supervisory Committee. It has no objection to the supervisory matters during the Reporting Period.

The Supervisory Committee held a total of 4 meetings in 2016, details of the meetings are as follow:

1. On 25 March 2016, the 1st meeting (regular) of the 2nd session of the Supervisory Committee in 2016, at which it reviewed and passed the “Resolution on Reviewing the 2015 Supervisory Committee’s Working Report of China Galaxy Securities Co., Ltd.”.
2. On 13 June 2016, the 1st extraordinary meeting of the 3rd session of the Supervisory Committee in 2016 was convened, at which it reviewed and passed the “Resolution on the 2015 remuneration settlement programme of the Responsible Supervisor”.
3. On 25 July 2016, the 2nd extraordinary meeting of the 3rd session of the Supervisory Committee in 2016 was convened, at which it reviewed and passed the “Resolution on recommending Mr. Tao Libin as candidate of supervisor of the Company”.
4. On 13 October 2016, the 3rd extraordinary meeting of the 3rd session of the Supervisory Committee in 2016 was convened, at which it reviewed and passed the “Resolution on Mr. Yu Wenxiu’s not serving as a Supervisor and chairman of the Supervisory Committee, and election of convenor of the Supervisory Committee meeting” and “Audit report on the economic responsibilities (resignation) of Mr. Zhu Yongqiang, Chief Officer of Brokerage Business”.

Name of Supervisor	Position	Required attendance during the year	On-site attendance	Of which: Attendance by telephone	Attendance by proxy
Yu Wenxiu (Note 1)	Chairman of the Supervisory Committee	4	3	0	0
Zhong Cheng (Note 2)	Supervisor	4	4	0	0
Liu Zhiyi	Employee Supervisor	4	3	0	1
Chen Jijiang	Employee Supervisor	4	4	0	0
Feng Heping (Note 3)	External Supervisor	4	1	2	0
Tao Libin (Note 4)	External Supervisor	0	0	0	0
Number of Supervisory Committee meetings convened during the year			4		
Of which:	On-site attendance meetings held		1		
	Through communication means		0		
	On-site and through communication		3		

Note 1: On 13 October 2016, Mr. Yu Wenxiu had tendered his resignation as a Supervisor and the chairman of the Supervisory Committee of the Company due to work arrangements, and the “Resolution on Mr. Yu Wenxiu’s not serving as a Supervisor and chairman of the Supervisory Committee, and election of convenor of the Supervisory Committee meeting” was reviewed and passed at the 3rd extraordinary meeting of the 3rd session of the Supervisory Committee in 2016.

Note 2: On 13 October 2016, Ms. Liu Zhiyi, Mr. Chen Jijiang and Mr. Feng Heping unanimously recommended Mr. Zhong Cheng as the convenor of the Supervisory Committee meeting.

Note 3: On 18 October 2016, Mr. Feng Heping tendered his resignation as an external Supervisor of the Company due to his intention to focus on his other work commitments and engagements.

Note 4: On 18 October 2016, Mr. Tao Libin was elected as a Supervisor of the 3rd session of the Supervisory Committee of the Company at the second extraordinary general meeting for 2016.



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VI. STATEMENTS OF THE COMPANY ON INABILITY TO MAINTAIN THE INDEPENDENCE OR THE ABILITY OF INDEPENDENT OPERATIONS BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDERS WITH RESPECT TO BUSINESS, PERSONNEL, ASSETS, ORGANIZATION AND FINANCE

During the Reporting Period, the Company was able to maintain the independence from its controlling Shareholder with respect to business, personnel, assets, organization and finance, and the ability of the Company to operate independently had not been affected.

VII. ESTABLISHMENT AND IMPLEMENTATION OF APPRAISAL AND INCENTIVE MECHANISM FOR SENIOR MANAGEMENT OFFICERS DURING THE REPORTING PERIOD

Pursuant to the relevant requirements under Management Measures for Operation Management Members of China Galaxy Securities Co., Ltd. and Provisional Management Measures for Remuneration of Senior Management Members of China Galaxy Securities Co., Ltd., the Board of the Company manages the performance appraisal and remuneration of senior management members. The Company designates and formulates major work to senior management member according to the annual working plan and conducts appraisal based on the major work for the year completed by each individual. Subject to existing legal framework, the Company adopts annual performance incentive mechanism, under which the annual remuneration of senior management member is based on the overall performance of the Company, individual's performance appraisal and market conditions.

VIII. ESTABLISHMENT AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM

(i) Statement of liabilities of the Board regarding internal control

Establishing complete internal controls and effectively implementing them, evaluating their effectiveness and truly disclosing the evaluation report on the internal controls are the duties of the Board. The Supervisory Committee monitors the internal controls established and implemented by the Board. The operational management staff are responsible for organizing and leading the routine running of the internal control of the Company. The objectives of internal control of the Company are: reasonably guaranteeing the legality of operations of the Company and the effective execution of internal regulatory system; protecting against operational risks and moral risks; securing the safety and completeness of the assets of the 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, fostering the achievement of strategies objectives of the Company.

As internal control has its inherent restrictions, the Board can only reasonably guarantee that such objectives can be achieved. Furthermore, the effectiveness of internal control depends on internal and external environment and operations of the Company.

The Board has completed an evaluation on the internal controls of the Group according to the requirement of the "Basic Ordinance of Corporation Internal Control", the Stock Exchange Listing Rules, the SSE Listing Rules and the relevant requirements of laws and regulations. According to the identification standards for defects in internal control over financial reporting of the Company, as at the reference date of internal control assessment (As at 31 December 2016), there was no material defect or important defect in the Group's internal control over the financial reporting. According to the identification standards for defects in internal control over non-financial reporting of the Company, as at the reference date of internal control assessment, there was no material defect or important defect in the Group's internal control over the non-financial reporting. From the reference date of this internal control assessment to the date of this internal control assessment report, there was no factor which would affect the assessment result of the effectiveness of the internal control of the Group. In the opinion of the Board, the Company has maintained, in all material respects, effective internal control over in accordance with the Basic Standards for Internal Control of Enterprises and the relevant provisions.

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 controls and internal control mechanism to promote the development of corporate governance.



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(ii) Basis for Establishment of Financial Reporting Internal Control

In accordance with the Basic Ordinance of Corporation Internal Control and the Supporting Guidelines on Internal Control of Companies jointly issued by the Ministry of Finance, CSRC, the Audit Office, the CBRC and the CIRC, the Guidelines on Internal Control of Securities Companies issued by the CSRC, the Guidelines on Internal Control of Listed companies on Shanghai Stock Exchange issued by the SSE and the Stock Exchange Listing Rules issued by the Hong Kong Stock Exchange, the Company has established a sound financial reporting internal control system and the relevant rules in respect of accounting, financial management, financial reporting and accounting information system. Through setting up a scientific financial accounting organization with qualified financial accounting professionals, using standardized financial accounting management system, and adopting appropriate accounting policies and reasonable accounting estimates, the Company has ensured that the financial statements prepared by the Company meet the requirements of accounting standards and give a true, accurate and complete view of the financial position and results of operation of the Company.

During the Reporting Period, the Company had a sound internal control system for financial reporting and the system operated well. Based on the result of identification of major defects in internal control of the Company, as at the base date of internal control, the Group had no material defect or important defect in internal control in respect of financial reporting.

(iii) Internal control development

The Company is continually committed to the development of internal regulations and an administration system since its establishment. Under the Basic Ordinance of Corporation Internal Control, 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 been able to ensure the legality of operations, the safety of assets and the authenticity and completeness of financial reports and relevant information and improve operating efficiency and effectiveness.

During the Reporting Period, the Company timely tracked the regulatory changes, and based on the relevant stipulations and the latest requirements of the regulatory department, it carried out amendment to the relevant business systems and ancillary detailed rules of the Company; to ensure all businesses will develop in a health way under controllable risks.

During the Reporting Period, the Company had developed the relevant rules including the Administrative Measures for Information Wall and conducted timely and effective management of the observation list, the restriction list and the restricted operations. When the confidential business department of the Company conducts confidential business, the staff who possesses or may have possessed insider information shall, at the appropriate timing following substantial contract with customers, apply to the legal and compliance department for inclusion of the companies or securities involved in the relevant information or projects in the observation list or the restriction list. The legal and compliance department shall monitor the business activities regarding the companies or securities in the observation list or the restriction list and conduct approval for the cross-wall behaviours of the staff on the open side.

The Company has established the Insider Registration System and made a truthful and complete record of all staff with access to insider information at all links including reporting, transmission, preparation, review and disclosure before the public disclosure of insider information, as well as the contents of the relevant insider information and the time the insiders becoming aware of insider information, in order to effectively prevent the inappropriate use and communication of insider information. In addition, the Company has established the material information internal reporting system and the insider information public disclosure system in accordance with the laws and regulations, the listing rules for Shanghai and Hong Kong and the Articles of Association to set out clear responsibilities for significant information reporting and disclosure, the process for internal reporting and external disclosure and material mistake accountability system, in order to ensure the information disclosed is truthful, accurate and complete and that all investors of the Company have equal access to relevant information on the Company.



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The Company has a mechanism for internal control governance. Audit department of the Company conducts daily supervision and ad hoc supervision in accordance with the annual audit plan approved by the Audit Committee, which includes internal control audit and ad hoc supervision on financial situation and budget and operation and management activities of the operation and management departments, branches and controlling subsidiaries; as well as comprehensive internal control assessment covering the whole Company at the end of a year. In the fourth quarter each year, the Company commences internal control assessment, establishes working unit for internal control assessment and organizes each business and management line and controlling subsidiaries to have a comprehensive self-assessment with highlighted tests on risky areas, key items or extraordinary items, which fully assesses the effectiveness of the design and operation of internal control system. In respect of internal control assessment, defects in internal control system are identified in accordance with the standards determined by the Audit Committee and such identified issues would be analyzed and ascertained and submitted to the Company for review. Defect in internal control system is finally confirmed by the Board. Operation and management members of the Company finalize and implement the rectification and correct the defect in internal control system in accordance with the internal control assessment report approved by the Board to ensure the optimization of the internal control system of the Company.

For details of the development of the risk management system of the Company, please refer to “Section IV. Discussion and Analysis on Operation – III. Discussion and Analysis on Future Development of the Company – (VI) Construction of Risk Management System” in this report.

(iv) Evaluation of the effectiveness of internal control

The Company has carried a self-evaluation of the design of internal control and effectiveness of running of the Group based on the Basic Ordinance of Corporation Internal Control, the Stock Exchange Listing Rules and the SSE Listing Rules and the relevant requirements of the Hong Kong laws and regulations as of 31 December 2016. According to the identification standards for defects in internal control over financial reporting and non-financial reporting of the Company, as at the reference date of internal control assessment (As at 31 December 2016), there was no material defect or important defect in the Group’s internal control. Between the reference date of internal control assessment report and the issue date of internal control assessment report, there was no factors affecting the validity of the conclusion of the internal control assessment of the Group.



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IX. DEVELOPMENT OF COMPLIANCE MANAGEMENT SYSTEM, AND INSPECTION AND AUDIT COMPLETED BY THE COMPLIANCE DEPARTMENT AND THE AUDIT DEPARTMENT DURING THE REPORTING PERIOD

(1) Development of Compliance Management System

During the Reporting Period, the development of Compliance Management System is as the following:

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 six sectors based on the business lines: brokerage business compliance management, investment banking business compliance management, financial product business compliance management, investment business compliance management, central control room and anti-money laundering compliance management and legal affairs management, including:

The brokerage business compliance management sector is in charge of the compliance management of the brokerage business, the institutional trading business, the futures IB business and the Internet financial 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, New OTC Board business sponsorship and market making business), and performs functions such as system management, compliance review, compliance supervision and inspection, compliance training and compliance enquiry, etc. of the investment banking business;

The financial product business compliance management sector is in charge of review of products for agency sale of financial products, and the compliance management of trust and outsourcing business and subsidiaries, and performs functions such as system management, compliance review, compliance supervision and inspection, compliance training, compliance enquiry and subsidiary compliance management, etc. of the financial product business;

The investment business compliance management sector is in charge of compliance management for the Company's own capital investment business (stock investment, bond investment, derivative products) and financing business (stock pledge, income swaps), and performs functions such as system management, compliance review, compliance supervision and inspection, compliance training and compliance enquiry, etc. of the investment business.



SECTION IX CORPORATE GOVERNANCE REPORT

The central control room and anti-money laundering compliance management business sector is in charge of compliance management for its investment research business, leading the Company's anti-money laundering work, information separation wall, conflict of interest and centralized control of staff practicing behaviour, and perform functions such as collection, processing, monitoring and inspection of sensitive information, cross wall examination and approval and employee practice monitoring;

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 its holding subsidiaries.

In order to strengthen the compliance management toward branches, the Company has assigned 21 compliance officers in 20 regions and 229 full-time and part-time compliance managers and compliance associates in 360 securities branches, which enables compliance management to extend to the front line of the business.

2. Strengthen internal consolidation and basic management, and ensure full coverage of compliance management

In 2016, in a spirit of "legal, strict and comprehensive" management, the Company was committed to improving its basic compliance management work. On one hand, it continued to intensify efforts into compliance training, compliance checks and compliance reviews and optimized relocation of compliance resources, and continued to push forward the Company's "Know Your Customer", fighting illegal securities activities and investor education, in order to prevent the risk of major violations of laws and regulations for key business and effectively protect the interests of investors. On the other hand, while maintaining its existing compliance management system, the Company continued to sort out its internal management system and workflow, strengthened the compliance management and professional guidance on the investment banking business, new branches and subsidiaries throughout the year, and achieved full coverage of its compliance management.

3. Strengthen anti-money laundering and employee practice behaviour management to prevent related risks

In 2016, the Company adhered to the "risk-oriented" management principle, organized several anti-money laundering training and publicity activities, and further strengthened maintenance of customer information and customer identification; in view of the different business characteristics of its various business lines and branches, the Company promoted the implementation of basic anti-money laundering work including customer identity investigation, anti-money laundering risk assessment and classification assessment, large-amount suspicious transaction reporting, anti-money laundering training and publicity, which had improved the effectiveness and relevance of risk-based regulation.

In 2016, the Company developed the Implementation Rules for Staff Investing Behaviour Management, which reiterates the prohibition against employees investing and set out provisions for the scope and procedures for reporting of securities accounts and personal investing. It also conducted special training on such subject for all staff of the Company including Directors, Supervisors and Senior Management of the Company to facilitate the studying and understanding of such rules.



SECTION IX CORPORATE GOVERNANCE REPORT

(ii) Compliance inspections

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, inspection of agency sale of financial products, compliance inception of corporate bond business, inspection of anti-money laundering, inspection on Internet financing risk, inspection on possible advertising for illegal fund-raising and investigation and clearing of information.

(iii) Audit work conducted

During the Reporting Period, the internal audit 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, securities branches and regulatory authorities. During the Reporting Period, the audit department of the Company organized and completed a total of 142 audit projects, including a self-evaluation on the annual internal control of the Company, an assessment on the annual compliance effectiveness. There were 8 audit and special audit projects including audits of securities investment fund custody business, connected transactions internal audit, and audits of out-going persons-in-charge of brokerage management headquarters and margin financing and securities lending and special audits, 1 audit project of out-going persons-in-charge of subsidiaries; 3 audit projects of out-going persons-in-charge of branch offices, internal audit of 84 securities business departments, economic liabilities audit of persons-in-charge of 43 securities business departments and 3 special audits of securities business departments.



SECTION IX CORPORATE GOVERNANCE REPORT

X. MISCELLANEOUS

(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 rules of procedure 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.

(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 2016, the Company resolved to re-appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the Company's external auditors for 2016 to be responsible for the provision of related audit services and review services (including internal control audit) in accordance with the PRC Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively.

Are there any change 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, Man Kai Sze and Ma Qiang (2011: Wang Pengcheng, Zheng Wei, 2012: Gu Jun and Fu Shanshan, 2013: Gu Jun and Ma Qiang, 2014: Lv Jing and Ma Qiang; 2015: LV Jing and Ma Qiang), 6 years;

Name of the international accounting firm and duration of service: Deloitte Touche Tohmatsu, 4 years.

Remuneration for the accounting firm: In 2016, the Company paid Deloitte Touche Tohmatsu Certified Public A share LLP and Deloitte Touche Tohmatsu annual audit fees amounting to RMB2.70 million, related services fees concerning auditing for A Shares IPO incurred in current period amounting to RMB1.2 million, and related services fees concerning auditing for bond issuance in current period amounting to RMB0.51 million).

(v) Review by Audit Committee

The Audit Committee has reviewed the 2016 consolidated financial statements of the Company.



SECTION IX CORPORATE GOVERNANCE REPORT

(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. Ms. Yung Mei Yee, a senior manager of KCS Hong Kong Limited, our joint company secretary, resigned as the Company's joint company secretary on 24 March 2016. The Company has appointed Ms. Mok Ming Wai, a director and the head of listing services of KCS Hong Kong Limited, as the joint company secretary of the Company with effect from 24 March 2016. The main contact person of the Company is Mr. Wu Chengming, an executive Director and secretary to the Board.

According to Rule 3.29 of the Stock Exchange Listing Rules, as of the end of the Reporting Period, Mr. Wu Chengming and Ms. Mok Ming Wai both received relevant professional training of no less than 15 hours.

(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 "Company Profile and Major Financial Information" in Section II 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 code provision 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 2016 annual general meeting.



SECTION IX CORPORATE GOVERNANCE REPORT

(viii) Investor Relations

The Company has set up an effective communication channel with investors. It carries out investor relationship maintenance work under the principles of openness and fairness and with a proactive attitude while conforming to the rules. In 2016, the Company strengthened communication and contact with the general public of domestic and overseas Shareholders, potential investors, investment bank analysts and fund managers, for the whole year it received over 600 person-times of all types of investors, analysts and fund managers through participation in investment bank summits, reception of visitors, phone conference of one-to-one and one-to-many formats, phone and email communications etc. Also, the chairman, general manager and the relevant senior management staff of the Company attended the event for the release of performance briefing, phone conferences with analysts etc, to help investors to understand the Company and timely answered the queries of investors, seriously listened to the opinion and suggestions of investors to ensure that all investors can fully exercise their own rights and safeguard their legitimate interests. 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.

(ix) Board Member Diversity Policy

The Company has adopted the Board Member Diversity Policy pursuant to code provision 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 Remuneration Committee will review and estimate the composition of the Board, conduct preliminary review of the qualifications and conditions (including the independence of the independent directors) of the candidates for directors (including independent directors) based on the selection criteria and procedures, taking full consideration of the candidates' professional background, career experience and skills into account, and make suggestions to the Board on the appointment of new Directors. The Nomination and Remuneration Committee 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, there was no change to the Articles of Association.

As a result of the initial public offering of 600,000,000 A shares in January 2017, the information on the share capital of the Company set out in the Articles of Association needs to be amended accordingly and such procedure has not yet finished.



SECTION X INDEPENDENT AUDITOR'S REPORT

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)

OPINION

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 149 to 249, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and the 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



SECTION X INDEPENDENT AUDITOR'S REPORT

Key audit matter

How our audit addressed the key audit matter

Impairment of available-for-sale financial assets

We identified the impairment of available-for-sale equity instruments, which include equity securities, funds, other investments and private equity securities, as a key audit matter as the Group applied significant judgement in determining the impairment of available-for-sale equity instruments of RMB21,916 million, of which RMB21,705 million were recorded at fair value and RMB211 million were recorded at cost less impairment.

For these available-for-sale equity instruments measured at fair value, the Group applied significant judgement to assess whether there is a significant or prolonged decline in fair value below cost. As at 31 December 2016, fair values of certain available-for-sale equity financial instruments were below their costs by RMB798 million in aggregate and this decline in fair value was recorded to an investment revaluation reserve. An impairment allowance of RMB206 million, comprised of RMB14 million and RMB192 million for non-current equity instruments and current equity instruments respectively, was recorded as at 31 December 2016.

Unlisted available-for-sale private equity securities of RMB211 million, representing equity investments in unlisted companies made by the Group, are measured at cost less impairment. When assessing impairment of these available-for-sale equity investments, the Group applied significant judgement in assessing objective evidence for impairment and determining the recoverable amount. An impairment allowance of RMB163 million was recorded as at 31 December 2016.

Details of the available-for-sale financial assets and the key estimation uncertain of their impairment are disclosed in Notes 23 and 4 to the consolidated financial statements, respectively.

Our procedures in relation to management's impairment assessment of available-for-sale financial assets included:

- Testing the management's key controls on identification of available-for-sale equity securities with indications of impairment;

Available-for-sale financial assets measured at fair value

- Checking, on a sample basis, the data used by the management against market data on sample basis;
- Evaluating, on a sample basis, the duration for the continued decline of the fair value below the cost.

Available-for-sale financial assets measured at cost less impairment

- Evaluating, on a sample basis, the appropriateness of the estimation models and inputs used including financial information and comparable market parameters.



SECTION X INDEPENDENT AUDITOR'S REPORT

Key audit matter

How our audit addressed the key audit matter

Control assessment of structured entities

We identified the determination of consolidation scope as a key audit matter as the Group holds a number of interests in structured entities including collective asset management schemes and investment funds where the Group is involved as investment manager and also as investor.

As disclosed in Note 4 to the consolidated financial statements, for collective asset management schemes and investment 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 and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.

The Group applied significant judgement in determining whether such investments fall within the consolidation scope under IFRS 10 "Consolidated Financial Statements". The effect of consolidation or not of these structured entities will have significant impact on the consolidated financial statements of the Group.

As at 31 December 2016, the total net assets of unconsolidated structured entities in which the Group acted as investment manager amounted to RMB36,178 million.

Details of consolidated structured entities are set out in Note 46 to the consolidated financial statements.

Our procedures in relation to control assessment of structured entities scope included:

- Testing the management's key controls on determining the consolidation scope as set out in IFRS 10 Consolidated Financial Statements;
- Reading, on a sample basis, the related sales and purchase agreements and other related service agreements of investments in structured entities newly acquired or with changes in investment holdings or terms during the year to assess whether or not the consolidation criteria are appropriately identified by management;
- Challenging and assessing the management judgement in applying IFRS 10 to each of the significant structured entities.



SECTION X INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



SECTION X INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Man Kai Sze.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 March 2017



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2016	2015
Revenue			
Commission and fee income	6	7,987,206	17,279,411
Interest income	7	7,301,986	11,725,456
Net investment gains	8	3,021,017	4,453,637
		18,310,209	33,458,504
Other income and gains	9	92,905	300,770
Total revenue and other income		18,403,114	33,759,274
Depreciation and amortization	10	(201,539)	(184,496)
Staff costs	11	(4,427,183)	(9,559,047)
Commission and fee expenses	12	(279,334)	(446,655)
Interest expenses	13	(4,840,271)	(7,030,048)
Other operating expenses	14	(1,825,640)	(3,263,413)
Impairment losses	15	(252,516)	(141,644)
Total expenses		(11,826,483)	(20,625,303)
Profit before income tax		6,576,631	13,133,971
Income tax expense	16	(1,391,224)	(3,257,320)
Profit for the year		5,185,407	9,876,651
Attributable to:			
Owners of the Company		5,153,546	9,835,510
Non-controlling interests		31,861	41,141
		5,185,407	9,876,651
Earnings per share attributable to owners of the Company (in RMB)			
– Basic	17	0.54	1.11

The notes on pages 156 to 249 form an integral part of these consolidated financial statements.



SECTION XI CONSOLIDATED 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 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2016	2015
Profit for the year	5,185,407	9,876,651
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Available-for-sale financial assets		
Net fair value changes during the year	(748,064)	3,180,881
Reclassification adjustment to profit or loss on disposal	(820,878)	(2,729,053)
Reclassification adjustment to profit or loss on impairment	191,458	–
Income tax impact	344,371	(112,957)
	(1,033,113)	338,871
Exchange differences arising on translation of foreign operations	76,312	55,132
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit obligation	8,510	(8,540)
	8,510	(8,540)
Other comprehensive income for the year, net of income tax	(948,291)	385,463
Total comprehensive income for the year	4,237,116	10,262,114
Attributable to:		
Owners of the Company	4,205,255	10,220,973
Non-controlling interests	31,861	41,141
	4,237,116	10,262,114

The notes on pages 156 to 249 form an integral part of these consolidated financial statements.



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
		2016	2015
Non-current assets			
Property and equipment	19	397,904	450,507
Goodwill	20	223,278	223,278
Other intangible assets	21	354,241	363,359
Financial assets held under resale agreements	22	6,989,078	323,624
Available-for-sale financial assets	23	17,681,691	16,273,629
Investments classified as loan and receivables	24	3,069,402	2,869,100
Deposits with exchanges and a non-bank financial institution	25	429,396	849,869
Bank deposits	26	900,000	–
Deferred tax assets	27	239,630	131,017
Total non-current assets		30,284,620	21,484,383
Current assets			
Advances to customers	28	55,476,601	70,138,177
Accounts receivable	29	774,651	764,030
Current tax assets		662,699	–
Other receivables and prepayments	30	3,708,746	2,372,734
Financial assets held under resale agreements	22	6,017,122	21,467,065
Available-for-sale financial assets	23	18,842,448	15,851,557
Investments classified as loans and receivables	24	573,710	250,000
Financial assets held for trading	31	27,117,771	37,267,147
Financial assets designated at fair value through profit or loss	32	2,245,547	1,656,671
Derivative financial assets	33	8,477	23,536
Deposits with exchanges and a non-bank financial institution	25	6,640,659	3,539,094
Clearing settlement funds	34	25,363,435	23,259,552
Bank balances	26	68,164,034	102,581,605
Total current assets		215,595,900	279,171,168
Total assets		245,880,520	300,655,551
EQUITY AND LIABILITIES			
Equity			
Share capital	35	9,537,259	9,537,259
Reserves	36	33,876,325	33,382,405
Retained profits	36	14,574,962	13,993,902
Equity attributable to owners of the Company		57,988,546	56,913,566
Non-controlling interests		365,353	335,850
Total equity		58,353,899	57,249,416



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
		2016	2015
Liabilities			
Non-current liabilities			
Bonds payable	37	24,012,382	27,570,925
Financing instrument payables	38	—	3,000,000
Other payables and accruals	39	2,981,003	2,790,184
Total non-current liabilities		26,993,385	33,361,109
Current liabilities			
Bonds payable	37	22,300,000	22,830,000
Due to banks and non-bank financial institutions	40	1,785,422	1,190,515
Financing instrument payables	38	11,518,110	10,867,870
Accounts payable to brokerage clients	41	90,404,209	117,992,209
Accrued staff costs	42	4,036,814	5,543,795
Other payables and accruals	39	5,188,003	5,741,762
Current tax liabilities		54,521	633,473
Financial liabilities at fair value through profit or loss	43	713,502	51,039
Derivative financial liabilities	33	38,002	341,443
Financial assets sold under repurchase agreements	44	24,494,653	44,852,920
Total current liabilities		160,533,236	210,045,026
Total liabilities		187,526,621	243,406,135
Total equity and liabilities		245,880,520	300,655,551
Net current assets		55,062,664	69,126,142
Total assets less current liabilities		85,347,284	90,610,525

The notes on pages 156 to 249 form an integral part of these consolidated financial statements.

Approved and authorized for issue by the Board of Directors on 30 March 2017.

Chen Gongyan

DIRECTOR

Gu Weiguo

DIRECTOR

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	Equity attributable to owners of the Company									
	Reserves								Non-controlling interests	Total equity
	Share capital	Capital reserve	Investment revaluation reserve	Translation reserve	General reserves	Other reserves	Retained profits	Subtotal		
Balance at 1 January 2015	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
Profit for the year	-	-	-	-	-	-	9,835,510	9,835,510	41,141	9,876,651
Other comprehensive income/ (expense) for the year	-	-	338,871	55,132	-	(8,540)	-	385,463	-	385,463
Total comprehensive income for the year	-	-	338,871	55,132	-	(8,540)	9,835,510	10,220,973	41,141	10,262,114
Placing of new H shares	2,000,000	16,923,098	-	-	-	-	-	18,923,098	-	18,923,098
Costs of placing of new H shares	-	(48,341)	-	-	-	-	-	(48,341)	-	(48,341)
Appropriation to general reserves	-	-	-	-	2,890,032	-	(2,890,032)	-	-	-
Dividend recognized as distribution	-	-	-	-	-	-	(1,205,961)	(1,205,961)	-	(1,205,961)
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	(17,414)	(17,414)
Balance at 31 December 2015	9,537,259	21,673,175	597,408	37,072	11,109,898	(35,148)	13,993,902	56,913,566	335,850	57,249,416
Profit for the year	-	-	-	-	-	-	5,153,546	5,153,546	31,861	5,185,407
Other comprehensive income/ (expense) for the year*	-	-	(1,033,113)	76,312	-	8,510	-	(948,291)	-	(948,291)
Total comprehensive income/ (expense) for the year	-	-	(1,033,113)	76,312	-	8,510	5,153,546	4,205,255	31,861	4,237,116
Change in ownership interests in an existing subsidiary	-	-	-	-	-	-	(264)	(264)	(302)	(566)
Appropriation to general reserves	-	-	-	-	1,442,211	-	(1,442,211)	-	-	-
Dividends recognized as distribution	-	-	-	-	-	-	(3,130,011)	(3,130,011)	-	(3,130,011)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(2,056)	(2,056)
Balance at 31 December 2016	9,537,259	21,673,175	(435,705)	113,384	12,552,109	(26,638)	14,574,962	57,988,546	365,353	58,353,899

* The other comprehensive expense recorded in the investment revaluation reserve for the year ended 31 December 2016 included the fair value changes of the investment in a designated account managed by China Securities Finance Corporation Limited (the "CSFCL") as set out in Note 23 to these consolidated financial statements.

The notes on pages 156 to 249 form an integral part of these consolidated financial statements.



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2016	2015
OPERATING ACTIVITIES			
Profit before income tax		6,576,631	13,133,971
Adjustments for			
Interest expenses		4,840,271	7,030,048
Depreciation and amortization		201,539	184,496
Impairment losses		252,516	141,644
Gain on disposal of property and equipment and other intangible assets	9	(522)	(706)
Foreign exchange losses/(gains), net	9	5,468	(248,778)
Net realized gains from disposal of available-for-sale financial assets	8	(883,109)	(2,773,545)
Dividend income and interest income from available-for-sale financial assets	8	(1,016,540)	(733,706)
Interest income from investments classified as loans and receivables		(204,453)	(10,305)
Operating cash flows before movements in working capital		9,771,801	16,723,119
Decrease/(increase) in advances to customers		14,661,514	(8,778,574)
Increase in accounts and other receivables		(1,910,970)	(1,395,698)
Decrease/(increase) in financial assets held under resale agreements		8,729,097	(14,392,374)
Decrease/(increase) in financial assets at fair value through profit or loss and derivative financial assets		9,575,559	(31,625,251)
Decrease/(increase) in restricted bank deposits		689,234	(689,234)
(Increase)/decrease in deposits with exchanges and a non-bank financial institution		(2,681,092)	1,661,052
(Increase)/decrease in clearing settlement funds-clients		(1,776,005)	8,620,414
Decrease/(increase) in cash held on behalf of customers		32,680,703	(49,738,382)
(Decrease)/increase in accounts payable to brokerage clients, accrued staff costs and other payables and accruals		(29,640,895)	43,537,821
Increase in financial liabilities at fair value through profit or loss and derivative financial liabilities		349,022	368,398
(Decrease)/increase in financial assets sold under repurchase agreements		(20,358,267)	12,112,995
Decrease in placements from a non-bank financial institution		-	(1,000,000)
Decrease in provisions		-	(165)
Cash used in operations		20,089,701	(24,595,879)
Income taxes paid		(1,734,418)	(2,872,975)
Interests paid		(2,013,316)	(2,848,195)
NET CASH USED IN OPERATING ACTIVITIES		16,341,967	(30,317,049)

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2016	2015
INVESTING ACTIVITIES			
Dividends and interest received from investments		962,949	588,564
Purchases of property and equipment and other intangible assets		(158,436)	(269,955)
Proceeds from disposal of property and equipment and other intangible assets		3,010	7,033
Purchases of available-for-sale financial assets		(25,557,693)	(45,033,591)
Proceeds from disposals of available-for-sale financial assets		20,472,909	27,707,324
Increase in investments classified as loans and receivables		(573,710)	(2,869,100)
Decrease in investments classified as loans and receivables		250,000	–
Placement of bank deposits with original maturity of more than three months		(1,835,638)	(1,251,051)
Maturity of bank deposits with original maturity of more than three months		1,251,051	1,200,595
NET CASH USED IN INVESTING ACTIVITIES		(5,185,558)	(19,920,181)
FINANCING ACTIVITIES			
Proceeds from issuance of H shares		–	18,923,098
Transaction costs paid on issue of H shares		–	(6,614)
Proceeds from bonds issued		18,716,702	47,400,925
Repayment of bonds		(22,830,000)	(23,900,000)
Proceeds from financing instrument payables		8,518,110	53,934,660
Repayment of financing instrument payables		(10,867,870)	(45,484,700)
Proceeds from due to banks and non-bank financial institutions		1,785,422	1,190,514
Repayment of due to banks and non-bank financial institutions		(1,190,515)	(812,123)
Proceeds from third-party interests in consolidated structured entities		1,152,258	2,906,946
Repayment of third-party interests in consolidated structured entities		(365,859)	–
Interests paid in respect of bonds		(2,369,423)	(1,541,737)
Interests paid in respect of borrowing and financing instrument payables		(1,001,564)	(508,402)
Dividends paid		(3,130,011)	(1,205,961)
Dividends paid to non-controlling shareholders		(2,056)	(17,414)
NET CASH FROM FINANCING ACTIVITIES		(11,584,806)	50,879,192
NET INCREASE IN CASH AND CASH EQUIVALENTS		(428,397)	641,962
CASH AND CASH EQUIVALENTS			
AT BEGINNING OF THE YEAR		8,415,414	7,503,887
Effect of foreign exchange rate changes		24,054	269,565
CASH AND CASH EQUIVALENTS			
AT END OF THE YEAR	45	8,011,071	8,415,414

The notes on pages 156 to 249 form an integral part of these consolidated financial statements.



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(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 H shares which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The registered office of the Company is located at 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 and futures brokerage, institutional sales and investment research, proprietary trading and other securities trading services, margin financing and securities lending, asset management and wealth management, equity investment management.

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 amounts are rounded to the nearest thousand unless otherwise stated.

Subsequent to the end of the reporting period on 23 January 2017, the Company completed its A share offering and became a listed company on the Shanghai Stock Exchange. Details are disclosed in Note 57.

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

2.1 Amendments to IFRSs that are mandatorily effective for the current year

The Group has adopted the following amendments to IFRSs for the first time effective for the current year’s financial statements.

Amendments to IFRS 10, IFRS 12

and IAS 28

Amendments to IFRS 11

Amendments to IAS 1

Amendments to IAS 16 and IAS 38

Amendments to IAS 16 and IAS 41

Amendments to IFRSs

Investment Entities: Applying the Consolidation Exception

Accounting for Acquisitions of Interests in Joint Operation

Disclosure Initiative

Clarification of Acceptable Methods of Depreciation

Agriculture: Bearer Plants

Annual Improvements to IFRSs 2012-2014 Cycle



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

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

2.1 Amendments to IFRSs that are mandatorily effective for the current year (continued)

Amendments to IAS 1 Disclosure Initiative

The Group has applied the amendments to IAS 1 Disclosure Initiative for the first time in the current year. The amendments to IAS 1 clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. Certain notes have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Specifically, information in relation to segments was re-ordered to Note 4 in these consolidated financial statements.

2.2 New and revised IFRSs issued but not yet effective

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

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
IFRS 16	Leases ²
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 7	Disclosure Initiative ⁴
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses ⁴
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle ⁵

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

² Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate, with earlier application permitted.

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



SECTION XI CONSOLIDATED 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

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirement for financial assets.

Key requirements of IFRS 9 which relevant to the Group are:

- All recognized financial assets that are within the scope of IFRS 9 are required to be 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally 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 recognized 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 attributable to a financial liability's 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 is 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.



SECTION XI CONSOLIDATED 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)

Application of IFRS 9 in the future may have following impacts on the consolidated financial assets of the Group:

- The Group classified equity related investments of RMB21,916 million as available-for-sale financial assets as at 31 December 2016. Upon application of IFRS 9, fair value changes arising from these financial instruments will be recognized as profit or loss instead of an investment revaluation reserve in the equity, except for those that are eligible and the Group elects to designate as FVTOCI, in which fair value changes arising from these financial assets will not be recycled to the profit or loss upon their disposals and only dividend income from these financial assets will be recognized in profit or loss.
- The Group classified debt investments of RMB3,643 million as loans and receivables as at 31 December 2016. Some of these investments may fail to satisfy that the contractual cash flows characteristics that are solely payments of principal and interest on the principal outstanding. As a consequence, these investments may have to be measured subsequently at fair values instead of amortized costs. Fair value changes arising from these financial instruments will be recognized in profit or loss;
- The Group classified debt investments of RMB14,608 million as available-for-sale financial assets as at 31 December 2016. Some of these investments may fail to satisfy that they are held within a business model whose objective is both to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding and to sell financial assets. Fair value arising from these financial instruments will be recognized in profit or loss instead of other comprehensive income; and
- Financial assets measured at amortized costs under IFRS 9 and debt instruments classified as FVTOCI will be subject to impairment provision of IFRS 9. Generally, the impairment model of IFRS 9 will result in earlier loss recognition than that of IAS 39.

The Group has not yet launched a detailed assessment on the impact of implementation of IFRS 9 and therefore the above analysis is preliminary. It is based on the facts and circumstances as at 31 December 2016 and subject to changes. The Group is unable to provide an estimate of these effects when these consolidated financial statements are authorized.



SECTION XI CONSOLIDATED 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

IFRS15 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 recognize 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 recognizes 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.

In April 2016, the International Accounting Standards Board ("IASB") issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principle versus agent considerations, as well as licensing application guidance.

As the Group provides various services including securities and futures broking, investment management, securities underwriting and advisory services, implementations of IFRS 15 may have an impact on recognition or measurement of income from these services. The following two potential changes have been identified:

- Performance bonuses are recognized by the Group when certain criteria are met for their asset management services. Under IFRS 15, performance bonuses are regarded as variable considerations, which are only included in the transaction prices when they are highly probable that the revenue recognized would not be subject to significant future reversals as a result of subsequent re-estimation;
- IFRS provides specific criteria on capitalizing certain contract costs. Costs that are directly attributable to obtaining a contract is capitalized and then amortized on a systematic basis.

The Group, however, has not yet launched a full assessment on the impacts of IFRS 15. The above analysis is preliminary and based on the facts and circumstances as at 31 December 2016. The Group is unable to provide an estimate of these effects when these consolidated financial statements are authorized.



SECTION XI CONSOLIDATED 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 16 – Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis whether an identified asset is controlled by a customer. Distinctions of operating lease (off balance sheet) and finance leases (on balance sheet) are moved to for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be allocated into a principle and interest portion which will be presented as financing and operating cash flow respectively by the Group.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB1,299 million as disclosed in Note 48. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognize a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognized in the Group's consolidated financial statements and the directors are currently assessing its potential impact. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

Amendments to IAS 7 – Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising financial activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other business; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair value; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosure on the Group's financing activities, specifically recognition between the opening and closing balance in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

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 IASB and the disclosures required by the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and Hong Kong Companies Ordinance (“CO”).

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 value at the end of each reporting period, as explained in the accounting policies below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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 there are changes to one or more of the three elements of control listed above.



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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.

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 loss 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 relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is 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.



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognized directly in 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.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described at note 'Investments in associates' below.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances.

Revenue is recognized when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- (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; and
- (iii) Asset management fee income is recognized when the Group is entitled to receive the fees according to the asset management agreement.

Dividend income from investments is recognized when the shareholders' right to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principle 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.



SECTION XI CONSOLIDATED 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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operations lease, are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are recognized at the rates prevailing at that date. 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 translation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Renminbi using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end reporting period. Exchange differences arising are recognized in other comprehensive income.

Borrowing costs

Borrowing costs that are not directly attributable to qualifying assets 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 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.



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Benefits

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period.

Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item staff costs. Curtailment gains and losses are accounted for as past service costs. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be classified to profit or loss.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earliest of when the Group entities can no longer withdraw the offer of the termination benefit and when it recognized any restructuring costs.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefit accruing to employees (such as wages and salaries) after deducting any amount already paid.



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before income tax” as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years items that are never taxable or deductible. The Group’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax

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 differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax 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 assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only 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.

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 for the year

Current and deferred tax is recognized in profit or loss, except when they relate 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.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated statement 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 valuation of assets less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant 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, plant 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 36 months to 5 years

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost accumulated impairment losses.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognized.

The estimated useful lives of computer software are 3 year.



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible and intangible assets other than goodwill and financial assets

At the end of the each 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least 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.

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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to other assets of the unit. An impairment loss is recognized immediately in profit or loss.

When 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 immediately in profit or loss.

Provision

Provisions are recognized when the Group has a present obligation (legal or constructive) 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.



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision (Continued)

The amount recognized as a provision is the provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the 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 (when the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognized 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 and 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 are classified into the follow specified categories: financial assets at fair value through profit or loss (“FVTPL”), available-for-sale (“AFS”) financial assets and loans and receivables. 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 marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount of the financial asset or liability on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets is (i) held for trading or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition 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 to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "net investment gains" line item.

Loans and receivables

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

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.



SECTION XI CONSOLIDATED 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

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method are recognized in profit or loss. Dividend on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settle by delivery of such unquoted equity investments 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 considered to be impaired when 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 AFS 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.



SECTION XI CONSOLIDATED 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 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.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 360 days for other receivables, fair value changes in collateral, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

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 (see the accounting policy below).

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 AFS 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.

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 was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss 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.



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity Instruments

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

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognized on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in “net investment gains”.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized costs.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities is (i) held for trading or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is a part of a portfolio of identified 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.



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability 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 liability 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 to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest paid on the financial liability and is included in the "net investments gains" line item. Fair value is determined in the manner described in Note 56.

Financial liabilities at amortized costs

Financial liabilities (including bonds payable, due to banks and non-bank financial institutions, financing instrument payables, other payables and accruals, accounts payable to brokerage clients and financial assets sold under repurchase agreements) are subsequently measured at amortized cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contracts are 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 FVTPL. Generally, multiple embedded derivatives in a single instrument are treated as a single compound embedded derivative unless those derivatives relate to different risks exposures and readily separable and independent of each other.



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition of financial liabilities (Continued)

Derecognition

The Group derecognizes a financial assets only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and the rewards of ownership of the assets to another party. 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, 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.

The Group derecognizes financial liabilities, when, and only when, the Group's obligations are discharged, cancelled, or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is 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".

Securities lending

The Group lends securities to clients and the cash collateral required under securities lending agreements and interests arising from these agreements are included in "accounts payable to brokerage clients". Securities lent to clients are not derecognized and are continued to be recorded as "available-for-sale financial assets" or "financial assets designated at fair value through profit or loss".

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when both of the following conditions are satisfied: (i) the Group currently has a legal enforceable right to set off the recognized amounts; and (ii) the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.



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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, the directors of the Company are required to make judgements, 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.

Key sources of estimation uncertainty

Fair value of available-for-sale investment with restriction on disposals

For available-for-sale equity investments which are subject to legally enforceable restriction that prevents the Group 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.

Details are set out in Note 56.



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

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 assesses the value of advances to customers principally by reviewing the securities collateral received from the customers firstly on individual basis, then on collective basis. 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.

The policy for collective impairment allowances for advances to customers of the Group is based on the evaluation of probability of default, and losses given default. A considerable amount of judgement is required in assessing the ultimate realization of these loans and advances, including the current creditworthiness, and the past collection history of each loan and advance. Details of advances to customers are set out in Note 28.

Critical judgement in applying accounting policies

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 and other equity related investments measured at fair value, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. In assessing whether an equity investment and other equity related investments is impaired, the Group also takes into consideration other relevant factors, including the historical data on market volatility, the nature of a specific investment, markets, economies, as well as industry and sector performance and the financial information regarding the investee. Details of available-for-sale financial assets are set out in Note 23.

Control assessment of structured entities

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes and investment funds where the Group involves as manager and also as investor, the Group considers the scope of its decision-making authority and assesses whether the combination of interests it holds together with its remuneration and credit enhancements creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.



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5. 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, 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

Others mainly represent head office operations, investment holdings 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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5. 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 2016 and 2015.

The operating and reportable segment information provided to the CODM for the years ended 31 December 2016 and 2015 is as follows:

	Securities brokerage	Futures brokerage	Proprietary trading and other securities trading services	Investment banking	Asset management	Private equity and alternative investments	Overseas business	Segment total	Others	Eliminations	Consolidated total
For the year ended 31 December 2016											
Segment revenue and results											
Revenue and net investment gains											
– External	12,141,763	742,370	2,574,029	1,091,960	880,731	151,398	416,902	17,999,153	311,056	–	18,310,209
– Inter-segment	310,402	2,108	–	–	31,582	–	–	344,092	–	(344,092)	–
Other income and gains	59,936	9,688	577	198	4,514	5,500	17,242	97,655	(4,750)	–	92,905
Segment revenue and other income	12,512,101	754,166	2,574,606	1,092,158	916,827	156,898	434,144	18,440,900	306,306	(344,092)	18,403,114
Segment expenses	(7,493,914)	(505,044)	(1,856,485)	(604,729)	(650,945)	(59,426)	(288,892)	(11,459,435)	(710,948)	343,900	(11,826,483)
Segment result	5,018,187	249,122	718,121	487,429	265,882	97,472	145,252	6,981,465	(404,642)	(192)	6,576,631
As at 31 December 2016											
Segment assets and liabilities											
Segment assets	141,341,356	20,796,587	54,787,793	1,385,971	5,996,991	1,784,594	5,485,816	231,579,108	106,608,073	(92,546,291)	245,640,890
Deferred tax assets											239,630
Group's total assets											245,880,520
Segment liabilities	133,237,157	18,983,110	53,075,280	221,325	5,228,792	388,799	4,256,213	215,390,676	64,575,870	(92,439,925)	187,526,621
Other segment information											
Depreciation and amortization	133,893	18,869	2,405	1,539	838	159	2,832	160,535	41,004	–	201,539
Impairment losses	37,581	–	194,420	(5,873)	110	4,000	19,679	249,917	2,599	–	252,516
Additions to non-current assets	74,285	6,231	–	–	364	916	5,007	86,803	55,503	–	142,306



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5. SEGMENT REPORTING (CONTINUED)

	Securities brokerage	Futures brokerage	Proprietary trading and other securities trading services	Investment banking	Asset management	Private equity and alternative investments	Overseas business	Segment total	Others	Eliminations	Consolidated total
For the year ended 31 December 2015											
Segment revenue and results											
Revenue and net investment gains											
- External	25,246,756	866,027	4,695,597	822,073	470,823	121,756	412,475	32,635,507	822,997	-	33,458,504
- Inter-segment	290,401	1,555	-	-	48,063	-	10,480	350,499	88,780	(439,279)	-
Other income and gains	36,933	6,297	50	-	5,000	3	3,402	51,685	249,085	-	300,770
Segment revenue and other income	25,574,090	873,879	4,695,647	822,073	523,886	121,759	426,357	33,037,691	1,160,862	(439,279)	33,759,274
Segment expenses	(15,430,779)	(565,828)	(1,922,695)	(561,288)	(437,962)	(61,590)	(271,113)	(19,251,255)	(1,675,391)	301,343	(20,625,303)
Segment result	10,143,311	308,051	2,772,952	260,785	85,924	60,169	155,244	13,786,436	(514,529)	(137,936)	13,133,971
As at 31 December 2015											
Segment assets and liabilities											
Segment assets	194,664,924	13,030,470	78,126,704	2,441,694	4,971,268	1,551,627	4,575,518	299,362,205	128,587,822	(127,425,493)	300,524,534
Deferred tax assets											131,017
Group's total assets											300,655,551
Segment liabilities	179,965,735	11,398,945	74,813,763	1,733,968	4,316,166	563,165	3,549,084	276,340,826	94,496,851	(127,431,542)	243,406,135
Other segment information											
Depreciation and amortization	125,273	17,970	1,495	1,566	1,623	54	3,263	151,244	33,252	-	184,496
Impairment losses	104,881	-	1,513	5,314	1,247	30,000	-	142,955	(1,311)	-	141,644
Additions to non-current assets	101,984	19,474	-	-	1,403	9	6,329	129,199	140,756	-	269,955



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6. COMMISSION AND FEE INCOME

	Year ended 31 December	
	2016	2015
Commission on securities dealing and broking and handling fees	5,994,403	15,608,100
Underwriting and sponsors fees	930,610	584,837
Commission on futures and options contracts dealing and broking and handling fees	381,069	354,662
Consultancy and financial advisory fees	136,487	207,914
Asset management fees	453,080	449,058
Others	91,557	74,840
	7,987,206	17,279,411

7. INTEREST INCOME

Presented below is interest income from the following assets:

	Year ended 31 December	
	2016	2015
Deposits with exchanges and a non-bank financial institution and bank balances	2,539,256	3,972,825
Advances to customers and securities lending	4,379,970	7,514,484
Financial assets held under resale agreements	382,760	238,147
	7,301,986	11,725,456



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8. NET INVESTMENT GAINS

	Year ended 31 December	
	2016	2015
Realized and unrealized gains/(losses) from		
– available-for-sale financial assets	883,109	2,773,556
– financial assets held for trading	374,653	762,886
– financial assets designated at fair value through profit or loss	30,350	(398,895)
– financial liabilities designated at fair value through profit or loss	(2,057)	(296)
– derivatives	513,969	572,375
Dividend income from		
– available-for-sale financial assets	296,484	164,120
Interest income from		
– available-for-sale financial assets	720,056	569,586
– investments classified as loans and receivables	204,453	10,305
	3,021,017	4,453,637

9. OTHER INCOME AND GAINS

	Year ended 31 December	
	2016	2015
Government grants	30,106	13,967
Gain on disposals of property and equipment and other intangible assets	522	706
Foreign exchange losses or gains, net	(5,468)	248,778
Others	67,745	37,319
	92,905	300,770

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



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10. DEPRECIATION AND AMORTIZATION

	Year ended 31 December	
	2016	2015
Depreciation for property and equipment	167,866	152,283
Amortization of other intangible assets	33,673	32,213
	201,539	184,496

11. STAFF COSTS

	Year ended 31 December	
	2016	2015
Salaries, bonus and allowances	3,054,048	8,497,178
Social welfare	598,586	458,886
Contributions to annuity schemes	405,955	159,244
Supplementary retirement benefits	104,940	7,919
Early retirement benefits	96	1,815
Others	263,558	434,005
	4,427,183	9,559,047

12. COMMISSION AND FEE EXPENSES

	Year ended 31 December	
	2016	2015
Securities and futures dealing and broking expenses	253,439	408,974
Underwriting and sponsors fee expenses	12,494	20,550
Other service expenses	13,401	17,131
	279,334	446,655



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13. INTEREST EXPENSES

Presented below are interests on the following liabilities:

	Year ended 31 December	
	2016	2015
Bonds payable	2,389,751	3,126,472
Financing instrument payables	432,463	850,479
Due to banks and non-bank financial institutions	60,954	111,306
Accounts payable to brokerage clients	319,568	540,212
Third party interests in consolidated structured entities and others	207,712	–
Financial assets sold under repurchase agreements	1,429,823	2,401,579
	4,840,271	7,030,048

14. OTHER OPERATING EXPENSES

	Year ended 31 December	
	2016	2015
Auditors' remuneration	4,410	4,235
General and administrative expenses	454,353	552,848
Business tax and other taxes	373,256	1,656,959
Operating lease rentals in respect of rented premises	492,599	454,771
Data transmission expenses	170,936	184,840
Securities investor protection funds	93,770	144,000
Business travel expenses	89,183	90,826
Utilities expenses	39,250	45,681
Sundry expenses	107,883	129,253
	1,825,640	3,263,413

15. IMPAIRMENT LOSSES

	Year ended 31 December	
	2016	2015
Impairment/(reversals) of impairment of the following assets:		
Financial assets held under resale agreements (Note 22)	55,392	6,510
Available-for-sale financial assets	191,458	30,000
Advances to customers (Note 28)	62	83,053
Accounts receivable (Note 29)	(5,737)	9,136
Other receivables (Note 30)	11,341	12,945
	252,516	141,644

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16. INCOME TAX EXPENSE

	Year ended 31 December	
	2016	2015
Current income tax		
PRC Enterprise Income Tax	1,134,573	3,125,563
Hong Kong Profits Tax	23,646	24,917
Under/(over) provision in prior years:		
PRC Enterprise Income Tax	(2,753)	2,995
Hong Kong Profits Tax	–	169
Subtotal	1,155,466	3,153,644
Deferred income tax (Note 27)	235,758	103,676
	1,391,224	3,257,320

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	
	2016	2015
Profit before income tax	6,576,631	13,133,971
Tax at the statutory tax rate of 25%	1,644,158	3,283,493
Expenses not deductible for tax purposes	64,488	41,838
Income not subject to tax	(294,243)	(55,452)
Effect of different tax rates of subsidiaries	(12,792)	(14,928)
Utilization of tax losses previously not recognized	(7,634)	(795)
Under/(over) provision in prior years	(2,753)	3,164
Income tax expense for the year	1,391,224	3,257,320



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17. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share for the year ended 31 December 2016 and 2015 is based on the profit attributable to owners of the Company and the number of ordinary shares in issue during the periods.

	Year ended 31 December	
	2016	2015
Profit attributable to owners of the Company	5,153,546	9,835,510
Weighted average number of shares in issue (thousand)	9,537,259	8,857,807
Earnings per share:		
Basic earnings per share (in RMB)	0.54	1.11

No diluted earnings per share has been presented for the year ended 31 December 2016 and 2015 as the Group had no potential ordinary shares in issue during both years.

18. DIVIDEND

	As at 31 December	
	2016	2015
Dividend recognized as distribution	3,130,011	1,205,961

A dividend in respect of 2015 of RMB3.28188 per 10 shares (inclusive of tax), or a total of RMB3,130.01 million, based on a total of 9,537,258,757 shares in issue, was approved at the Annual General Meeting on 6 June 2016.

A dividend in respect of 2014 of RMB1.26447 per 10 shares (inclusive of tax), or a total of RMB1,205.96 million, based on a total of 9,537,258,757 shares in issue, was approved at the Annual General Meeting on 29 June 2015.

Subsequent to the end of reporting period, a final dividend in respect of 31 December 2016 of RMB1.55 per 10 shares (inclusive of tax), or a total of RMB1,571.28 million, based on a total of 10,137,258,757 shares in issue, has been proposed by the directors of the Company and is subject to the approval of the shareholders in the forthcoming annual general meeting.

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19. PROPERTY AND EQUIPMENT

	Leasehold land and buildings	Electronic and communication equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
COST						
As at 1 January 2015	245,040	678,766	91,799	126,543	297,493	1,439,641
Additions	27	149,204	5,587	11,827	61,780	228,425
Disposals/written-off	-	(95,399)	(2,077)	(7,005)	(60,306)	(164,787)
As at 31 December 2015	245,067	732,571	95,309	131,365	298,967	1,503,279
ACCUMULATED DEPRECIATION						
As at 1 January 2015	109,457	595,219	77,710	93,916	183,767	1,060,069
Charge for the year	10,882	56,102	5,257	14,762	65,280	152,283
Disposals/written-off	-	(90,605)	(1,973)	(6,696)	(60,306)	(159,580)
As at 31 December 2015	120,339	560,716	80,994	101,982	188,741	1,052,772
CARRYING VALUES						
As at 31 December 2015	124,728	171,855	14,315	29,383	110,226	450,507
COST						
As at 1 January 2016	245,067	732,571	95,309	131,365	298,967	1,503,279
Additions	-	53,091	2,489	12,192	49,911	117,683
Disposals/written-off	-	(58,248)	(2,446)	(8,150)	(34,643)	(103,487)
As at 31 December 2016	245,067	727,414	95,352	135,407	314,235	1,517,475
ACCUMULATED DEPRECIATION						
As at 1 January 2016	120,339	560,716	80,994	101,982	188,741	1,052,772
Charge for the year	10,690	76,905	4,241	14,590	61,440	167,866
Disposals/written-off	-	(56,602)	(2,419)	(7,403)	(34,643)	(101,067)
As at 31 December 2016	131,029	581,019	82,816	109,169	215,538	1,119,571
CARRYING VALUES						
As at 31 December 2016	114,038	146,395	12,536	26,238	98,697	397,904



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20. GOODWILL

	As at 31 December	
	2016	2015
Cost and carrying value, at beginning and end of the year	223,278	223,278

Impairment testing on goodwill

The Group 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. For the purpose of impairment testing, the goodwill has been allocated to the cash generating unit engages in securities brokerage business.

During the years ended 31 December 2016 and 2015, management of the Group determined that there was no impairment of the relevant CGUs containing the goodwill and trading rights with indefinite useful lives (see Note 21) as the recoverable amounts of the CGUs exceed their respective carrying amounts.

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

The recoverable amount of the securities brokerage 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 12.36% (31 December 2015: 12.83%) as at 31 December 2016. 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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21. OTHER INTANGIBLE ASSETS

	Trading rights	Computer software	Total
COST			
As at 1 January 2015	303,910	177,830	481,740
Additions	–	41,530	41,530
Disposals/written-off	–	(3,011)	(3,011)
As at 31 December 2015	303,910	216,349	520,259
ACCUMULATED AMORTIZATION			
As at 1 January 2015	–	126,579	126,579
Charge for the year	–	32,213	32,213
Disposals/written-off	–	(1,892)	(1,892)
As at 31 December 2015	–	156,900	156,900
CARRYING VALUES			
As at 31 December 2015	303,910	59,449	363,359
COST			
As at 1 January 2016	303,910	216,349	520,259
Additions	–	24,623	24,623
Disposals/written-off	–	(1,316)	(1,316)
As at 31 December 2016	303,910	239,656	543,566
ACCUMULATED AMORTIZATION			
As at 1 January 2016	–	156,900	156,900
Charge for the year	–	33,673	33,673
Disposals/written-off	–	(1,248)	(1,248)
As at 31 December 2016	–	189,325	189,325
CARRYING VALUES			
As at 31 December 2016	303,910	50,331	354,241

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



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21. 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 assessed for impairment individually or attached to the relevant CGUs.

The respective recoverable amounts of these trading rights or 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 2016 and 2015.

22. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December	
	2016	2015
Non-current		
Analyzed by collateral type:		
Stocks	7,024,199	325,250
Less: Impairment	(35,121)	(1,626)
	6,989,078	323,624
Analyzed by market of collateral:		
Stock exchanges	6,989,078	323,624
	As at 31 December	
	2016	2015
Current		
Analyzed by collateral type:		
Stocks	5,717,300	1,612,281
Bonds	317,530	19,859,668
Funds	9,073	–
Less: Impairment	(26,781)	(4,884)
	6,017,122	21,467,065
Analyzed by market of collateral:		
Stock exchanges	6,017,122	21,467,065

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22. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (Continued)

The movements in the allowance for impairment on financial assets held under resale agreements are set out below:

	As at 31 December	
	2016	2015
At beginning of the year	6,510	–
Impairment losses recognized	55,392	6,510
At end of the year	61,902	6,510

The fair values of collateral received by the Group are approximate to the carrying amount of these financial assets held under resale agreements.

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December	
	2016	2015
Non-current		
Measured at fair value:		
Debt securities	1,019,711	–
Funds	4,939,284	3,266,039
Other investments ⁽¹⁾	11,511,496	12,726,202
Measured at cost less impairment:		
Private equity securities ⁽²⁾	211,200	281,388
	17,681,691	16,273,629

	As at 31 December	
	2016	2015
Current		
Measured at fair value:		
Debt securities	13,588,280	12,753,740
Equity securities	4,883,862	2,107,976
Funds	–	8,065
Other investments ⁽¹⁾	370,306	981,776
	18,842,448	15,851,557



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23. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

- (1) Included in the balance is an investment in a special account managed by china securities finance corporation limited (the “CSFCL”). Pursuant to the agreements the company entered into with the CSFCL, the company contributed RMB10,500million to the special account managed by the CSFCL in 2015. The Company is entitled to the profit or loss derived from the special account in proportion to the funding portion contributed. The Company determined the total fair value of the investment according to investment statements provided by the CSFCL, and the fair value is RMB 9,855million as at 31 December 2016(31 December 2015: RMB 9,981 million).

The remaining balance mainly represents investments in: (i) collective asset management schemes issued and managed by the Group, whereby the Group’s interests in and exposure to them are not significant; (ii) wealth management products issued by banks; (iii) targeted asset management schemes (or trust investments) managed by non-bank financial institutions, which mainly invest in debt securities, publicly traded equity securities listed in the PRC and loans.

- (2) Movement of impairment against private equity investments

	Year ended 31 December	
	2016	2015
Beginning of the year	187,500	157,500
Recognized	–	30,000
Disposed and transferred out	(25,000)	–
End of year	162,500	187,500

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.

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.

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24. INVESTMENTS CLASSIFIED AS LOAN AND RECEIVABLES

	As at 31 December	
	2016	2015
Non-current		
Trust schemes (i)	3,069,402	2,869,100
Current		
Unsecured loan receivables (ii)	573,710	250,000

- (i) As at 31 December 2016, the Group invested in non-current trust schemes which were issued and managed by a non-bank financial institution. Underlying assets of these trust schemes are asset-backed securities issued by a bank. The schemes bear effective interest at 6.00%-14.00% per annum (31 December 2015: 6.00%-14.00% per annum).
- (ii) As at 31 December 2016, the unsecured loan receivables bear interest at 4.35%-8.00% (31 December 2015: 12.00%) per annum and are repayable within one year.

25. DEPOSITS WITH EXCHANGES AND A NON-BANK FINANCIAL INSTITUTION

	As at 31 December	
	2016	2015
Non-current		
Deposits with stock exchanges	397,920	796,287
Deposits with futures and commodity exchanges	25,508	43,104
Guarantee fund paid to Shenzhen Stock Exchange	5,780	6,281
Others	188	4,197
	429,396	849,869
Current		
Deposits with futures and commodity exchanges	6,606,451	3,539,091
CSFCL	34,208	3
	6,640,659	3,539,094



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26. BANK DEPOSITS AND BANK BALANCES

	As at 31 December	
	2016	2015
Current		
House accounts	6,948,846	8,685,714
Cash held on behalf of customers	61,215,188	93,895,891
	68,164,034	102,581,605
	As at 31 December	
	2016	2015
Non-current		
House accounts	900,000	–
	900,000	–

Bank balances comprise time and demand deposits at bank which bear interest at the prevailing market rates. The non-current bank balances are bank deposits with remaining maturity of more than one year.

The Group maintains accounts with banks to hold customers' deposits arising from normal business transactions. The corresponding liabilities are recorded as accounts payable to brokerage clients (Note 41).

27. 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:

	As at 31 December	
	2016	2015
Net deferred income tax assets, at beginning of year	131,017	347,650
Recognized in profit or loss (Note 16)	(235,758)	(103,676)
Recognized in other comprehensive income	344,371	(112,957)
Net deferred income tax assets, at end of year	239,630	131,017

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27. DEFERRED TAXATION

The movements of deferred tax assets and liabilities are set out below:

	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 2015	(147,409)	(86,179)	661,188	22,104	93,973	10,846	15,725	(216,355)	41	(6,284)	347,650
(Charge)/credit to profit or loss	(4,745)	-	(419,560)	23,410	532,873	7,596	65,958	(304,173)	(41)	(4,994)	(103,676)
Credit to other comprehensive income	-	(112,957)	-	-	-	-	-	-	-	-	(112,957)
At 31 December 2015	(152,154)	(199,136)	241,628	45,514	626,846	18,442	81,683	(520,528)	-	(11,278)	131,017
(Charge)/credit to profit or loss	319,278	-	18,934	45,309	(196,692)	312	(76,983)	(352,188)	-	6,272	(235,758)
Charge to other comprehensive income	-	344,371	-	-	-	-	-	-	-	-	344,371
At 31 December 2016	167,124	145,235	260,562	90,823	430,154	18,754	4,700	(872,716)	-	(5,006)	239,630

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.

At the end of the reporting period, the Group has no unused tax losses (31 December 2015: RMB6 million) arising from Hong Kong entities available for offset against future profits.

At the end of the reporting period, the Group has unrecognized deductible temporary differences of approximately RMB163 million (31 December 2015: RMB188 million) as at 31 December 2016, as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.



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28. ADVANCES TO CUSTOMERS

	As at 31 December	
	2016	2015
Loans to margin clients	54,821,652	69,955,846
Other loans and advances	738,064	265,384
Less: Impairment	(83,115)	(83,053)
	55,476,601	70,138,177

The credit facility limits for margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

In addition to the cash collaterals as disclosed in Note 41, the Group also receive securities collaterals with fair value of RMB171,312 million (31 December 2015: RMB202,019 million) from brokerage clients for margin financing or securities lending arrangements. These securities collaterals were not recognized in the Group's consolidated financial statements. As at 31 December 2016 and 2015, the fair values of cash and securities collaterals held by the Group for majority of the margin clients are higher than the carrying amounts of each individually.

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 2016 was RMB9,300 million (31 December 2015: RMB7,742 million) and the corresponding balances advanced to clients amounted to RMB 1,959 million (31 December 2016: RMB 1,758 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 determines the allowance for impaired advance to customers based on the evaluation of collectability and on management's judgment including the assessment of change in credit quality and collateral.

The movements in the allowance for impairment are set out below:

	As at 31 December	
	2016	2015
At beginning of the year	83,053	–
Impairment losses recognized (Note 15)	62	83,053
At end of the year	83,115	83,053

The concentration of credit risk is limited due to the customer base being large and diversified.

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29. ACCOUNTS RECEIVABLE

	As at 31 December	
	2016	2015
Accounts receivable of:		
Client securities settlement	112,230	53,298
Brokers and dealers	57,907	82,833
Clearing house (Note 54)	69,946	80,095
Underwriting and sponsors fee	208,655	232,243
Trading rights rental commission	144,361	165,943
Asset management and funds distribution fees	145,935	150,718
Others	49,120	18,140
Subtotal	788,154	783,270
Less: Impairment	(13,503)	(19,240)
Total	774,651	764,030

Aging analysis of accounts receivable, based on revenue recognition dates, is as follows:

	As at 31 December	
	2016	2015
Within 1 year	597,057	714,158
Between 1 and 2 years	175,989	49,442
Between 2 and 3 years	1,605	420
Over 3 years	–	10
	774,651	764,030

The movements in the allowance for impairment on accounts receivable are set out below:

	As at 31 December	
	2016	2015
At beginning of the year	19,240	10,104
Impairment losses (reversed)/charge (Note 15)	(5,737)	9,136
At end of the year	13,503	19,240

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. All material overdue account balances are impaired.



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30. OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2016	2015
Prepaid taxes	4,374	9,834
Interests receivable	3,353,381	2,167,172
Prepaid expenses	128,399	138,476
Fund redemption receivable	–	6,995
Others	241,532	62,950
Subtotal	3,727,686	2,385,427
Less: Impairment	(18,940)	(12,693)
Total	3,708,746	2,372,734

The movements in the allowance for impairment on other receivables are set out below:

	As at 31 December	
	2016	2015
At beginning of the year	12,693	12,197
Impairment losses recognized	11,341	12,945
Amounts written off	(5,094)	(12,449)
At end of the year	18,940	12,693

31 FINANCIAL ASSETS HELD FOR TRADING

	As at 31 December	
	2016	2015
Debt securities	19,597,108	21,714,824
Equity securities	1,678,812	1,524,773
Funds	5,841,851	14,027,550
Total	27,117,771	37,267,147

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32. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2016	2015
Convertible bonds ⁽¹⁾	266,196	9,171
Equity securities	653,592	1,202,851
Funds	–	400,309
Trust schemes and wealth management products	717,056	–
Collective asset management schemes	608,703	44,340
Total	2,245,547	1,656,671

Note (1): Convertible bonds held by the Group are hybrid instruments and they are designated as financial assets at fair value through profit or loss.

33. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December					
	2016			2015		
	Nominal amounts	Asset	Liability	Nominal amounts	Asset	Liability
Equity Return Swap	290,325	7,548	37,226	1,086,095	23,536	341,279
Stock index futures	195,581	2,980	73	1,288,449	–	8,156
Less: settlement		(2,980)	(73)		–	(8,156)
Treasury bond futures	746,954	9,203	1,319	276,377	–	1,146
Less: settlement		(9,203)	(1,319)		–	(1,146)
Commodity Futures	70,642	535	3,382	–	–	–
Less: settlement		(535)	(3,382)		–	–
Options	103,696	929	776	11,128	–	164
Interest Swap	20,000	–	–	–	–	–
Total	1,427,198	8,477	38,002	2,662,049	23,536	341,443

The Group uses derivatives primarily for hedging its positions in investments. In certain cases, the Group also entered into contracts on derivatives for proprietary trading.

Under daily mark-to-market and settlement arrangements, any gains or losses of the Group's position in stock index futures, treasury bond futures and commodity 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, treasury bond futures and commodity futures contracts was nil at the end of each reporting period.



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34. CLEARING SETTLEMENT FUNDS

	As at 31 December	
	2016	2015
Clearing settlement funds held with clearing houses for:		
– House accounts	1,997,863	1,669,985
– Clients accounts	23,365,572	21,589,567
	25,363,435	23,259,552

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

35. SHARE CAPITAL

The Company's number of shares and nominal value are as follows:

	As at 31 December	
	2016	2015
Issued and fully paid ordinary shares of RMB1 each (in thousands)		
Domestic shares	5,846,274	5,846,274
H shares	3,690,985	3,690,985
	9,537,259	9,537,259
Share capital (in RMB'000)		
Domestic shares	5,846,274	5,846,274
H shares	3,690,985	3,690,985
	9,537,259	9,537,259

On 5 May 2015, the Company completed its placing of 2 billion H shares at a price of HKD11.99 per H share on the Hong Kong Stock Exchange.

Details in respect of shares issued after the end of reporting period are disclosed in Note 57.

36. 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.



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36. RESERVES AND RETAINED PROFITS (Continued)

(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, an amount of RMB97 million (31 December 2015: RMB57 million) as at 31 December 2016 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.

(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.



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37. BONDS PAYABLE

As at 31 December 2016 and 2015, bonds payable comprised of subordinated bonds and corporate bonds.

Details of the bonds issued by the Group are as follows:

Current

Issue dates	Maturity dates	Coupon rates	As at	As at
			31 December 2016 Carrying amounts	31 December 2015 Carrying amounts
26 November 2014	26 November 2016	5.20%	–	1,500,000
05 December 2014	5 December 2016	5.30%	–	1,500,000
15 December 2014	15 December 2016	6.30%	–	3,200,000
06 March 2015	6 March 2016	5.02%	–	2,630,000
24 March 2015	24 March 2016	5.40%	–	3,000,000
29 April 2015	29 April 2016	5.20%	–	2,000,000
15 June 2015	10 May 2016	4.65%	–	7,000,000
29 June 2015	29 June 2016	5.30%	–	2,000,000
30 January 2015	30 January 2017	5.80%	1,200,000	–
30 January 2015	30 January 2017	5.90%	2,800,000	–
10 April 2015	10 April 2017	5.80%	4,300,000	–
08 May 2015	8 May 2017	5.70%	11,000,000	–
23 November 2016	20 August 2017	3.50%	3,000,000	–
			22,300,000	22,830,000

Non-current

Issue dates	Maturity dates	Coupon rates	As at	As at
			31 December 2016 Carrying amounts	31 December 2015 Carrying amounts
30 January 2015	30 January 2017	5.80%	–	1,198,800
30 January 2015	30 January 2017	5.90%	–	2,800,000
10 April 2015	10 April 2017	5.80%	–	4,300,000
8 May 2015	8 May 2017	5.70%	–	11,000,000
24 April 2015	24 April 2018	5.60%	5,800,000	5,800,000
4 February 2015	4 February 2018	4.65%	1,491,875	1,484,375
4 February 2015	4 February 2020	4.80%	990,750	987,750
1 June 2016	1 June 2019	3.10%	4,868,422	–
1 June 2016	1 June 2021	3.35%	595,760	–
23 August 2016	23 August 2019	2.89%	1,480,625	–
23 August 2016	23 August 2021	3.14%	986,250	–
19 September 2016	19 September 2019	3.18%	3,500,000	–
24 October 2016	24 October 2018	3.15%	4,000,000	–
15 March 2016	14 March 2021	4.30%	298,700	–
			24,012,382	27,570,925

All of these bonds are denominated in RMB.

For the bonds issued on 19 September 2016, the Group has an option to extend the term of the bonds for another two years but then there will be a 300 basis point upward adjustment to the interest rates. Other than this, there are no early redemption or extension options embedded in these bonds.



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40. DUE TO BANKS AND NON-BANK FINANCIAL INSTITUTIONS

	As at 31 December	
	2016	2015
Secured short-term bank loans ⁽¹⁾	679,820	1,190,515
Unsecured short-term bank loans ⁽²⁾	1,105,602	–
	1,785,422	1,190,515

(1) The short-term bank loans borrowed by the Group are secured by shares listed in Hong Kong pledged to the Group as a security for advances to customers (with customers' consent) with a fair value of approximately RMB2,272 million (31 December 2015: RMB2,224 million). These short-term bank loans bear interest at Hibor+145 to 155 basis point (31 December 2015: Hibor+125 to 210 basis point) per annum and are repayable within 1 month (31 December 2015: within 3 months).

(2) As at 31 December 2016, the unsecured short-term bank loans bear interest at 1.55%-2.00% and are repayable within 2 months.

41. 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 are interest bearing at the prevailing market interest rate.

As at 31 December 2016, included in the Group's accounts payable to brokerage clients were cash collateral of approximately RMB7,703 million (31 December 2015: RMB14,497 million) received from clients for margin financing and securities lending arrangement.

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42. ACCRUED STAFF COSTS

	As at 31 December	
	2016	2015
Salaries, bonus and allowances	3,558,906	5,193,521
Social welfare	10,198	7,777
Annuity schemes	36,628	15,666
Supplementary retirement benefits (Note)	295,645	209,082
Early retirement benefits	12,156	23,046
Others	123,281	94,703
	4,036,814	5,543,795

Note : Supplementary retirement benefits

Supplementary retirement benefits contains two parts: 1) pensions and medical benefits to qualified employees in Mainland China who retired on or before 31 December 2014 and still are alive at the end of the reporting period; 2) during the year ended 31 December 2016, additional supplementary benefits including heating and cooling expenses reimbursements to certain existing employees after their retirements were introduced to those employees by the Group. Accordingly, the increase in the present value of the supplementary retirement benefits for employee service in prior periods and current period were recognized as past service costs and current service costs respectively during the year ended 31 December 2016.

The present value of these 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 2016 and 2015 were carried out by Mercer Consulting (China) Ltd.

Movements in the present value of supplementary retirement benefits are as follows:

	Year ended 31 December	
	2016	2015
Beginning of the year	209,082	203,301
Amounts charged to profit or loss:		
Current service costs	5,375	–
Past service costs	92,624	–
Interests on obligation	6,941	7,919
Benefits paid	(9,867)	(10,678)
Amount credited/charged to OCI:		
Actuarial (gains)/losses arising from assumption changes	(2,854)	16,327
Actuarial gains from experience adjustments	(5,656)	(7,787)
End of the year	295,645	209,082

Net interest on the net defined benefit plan liability was included in staff costs.

The plans typically expose the Group to interest rate risk and longevity risk.

- Interest rate risk: a decrease in the bond interest rate will increase the plan liability.
- Longevity risk: the present value of the defined benefit plan liability is calculated by reference to the best estimate of China Life Insurance Pension life table (CLA2000-2003). An increase in the life expectancy of the plan participants will increase the plan's liability.



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42. ACCRUED STAFF COSTS (Continued)

Note: Supplementary retirement benefits (Continued)

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Valuation at	
	31 December 2016 %	31 December 2015 %
Discount rates of supplementary retirement benefits	3.50	3.40
Expected rates of benefits increase	4.00	4.00
Mortality rates	According to the China Life Insurance Mortality Table (published historical statistics in China)	

Discount rates are set to be the government bond yields with similar maturities and vary for different types of benefits. As at 31 December 2016, the durations of these supplementary retirement benefits are 15.5 (31 December 2015: 14.3).

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate and benefit growth rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Effect on the pension	Change in assumptions	Benefit obligation	
		2016	2015
Discount rate	-50bp	23,540.84	15,264.68
Discount rate	+50bp	(20,999.54)	(13,744.17)
Benefit growth rate	-50bp	(13,437.08)	(13,731.56)
Benefit growth rate	+50bp	23,668.75	15,095.38

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43. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2016	2015
Financial instruments payable linked to stock index	363,579	–
Deposits from clients participating in equity swap	349,923	–
Security borrowings (Note 47)	–	51,039
Total	713,502	51,039

Financial Instruments linked to stock index are financing instruments issued by the Group and its returns to holders are linked to performance of stock index.

Deposits from clients participating in equity swaps are payable to the clients at maturity of the corresponding derivatives and its carry balance is linked to performance of the corresponding equity swaps.

As at 31 December 2015, the Group borrowed debt securities with a fair value of RMB420 million from banks and at the same time pledged its own debt securities, which were classified as financial assets held for trading, with a fair value of RMB330 million as collateral under securities borrowing agreements.

The securities borrowed are not recognized in by the Group, but when these securities were disposed of, the obligations to return these securities were recognized as financial liabilities at FVTPL. The securities pledged to the lenders of are also not derecognize by the Group.

44. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Current	As at 31 December	
	2016	2015
Analyzed by collateral type:		
Bonds	17,524,765	15,770,815
Rights and interests in margin loans	2,969,000	26,675,000
Financial assets held under resale agreement	1,330,989	–
Funds	2,669,899	2,407,105
	24,494,653	44,852,920
Analyzed by market of collateral:		
Stock exchanges	16,237,094	15,797,624
Interbank bond market	3,957,570	2,380,296
Over the counter	4,299,989	26,675,000
	24,494,653	44,852,920

Financial assets sold under repurchase agreements bear effective interest at 2.40%-7.20% per annum (31 December 2015: 2.38%-7.20% annum).



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(Amounts in thousands of Renminbi, unless otherwise stated)

45. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	As at 31 December	
	2016	2015
Bank balances – house accounts	6,013,208	6,745,429
Clearing settlement funds – house accounts	1,997,863	1,669,985
	8,011,071	8,415,414

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 2016, bank deposits with original maturity of more than three months held by the Group were RMB1,836 million (31 December 2015: RMB1,251 million) and there was no bank deposits restricted for use (31 December 2015: RMB689 million).

46. INTERESTS IN STRUCTURED ENTITIES

(a) Structured entities set up and managed by the Group

Structured entities consolidated by the Group include collective asset management schemes, funds and other investments where the Group involves as investment manager or investment consultant and also as investor. These special vehicles issue units to investors, including the Group, to finance its operations, which are primarily investments in various debt and equity instruments.

The Group has committed to holding minimal investments of at least RMB105 million (31 December 2015: RMB395 million) in collective asset management schemes managed by the Group till the end of the investment period. These investments are usually the most junior tranches in these schemes and will be utilized to absorb losses of more senior tranches. As at 31 December 2016 and 2015, the contributions from the Group to those collective asset management schemes equalled the committed minimal investments and the Group's maximum losses are limited to the carrying amounts of these investments.

As at 31 December 2016, the total assets of the consolidated collective asset management schemes are RMB6,306 million (31 December 2015: RMB4,051 million) and the carrying amount of third party interests in consolidated structured entities in the consolidated collective asset management schemes are RMB4,405 million (31 December 2015: RMB3,421 million), and these interests are presented in Note 39.

The Group also has interests in unconsolidated collective asset management schemes which the remuneration of the Group is commensurate with the services provided and the variable returns the Group exposed are not considered significant. The Group therefore considers such decision-making rights is acting as an agent for the investors and hence did not consolidate these structured entities.

The size of to unconsolidated structured entities managed by the Group amounted RMB36,178 million as at 31 December 2016 (31 December 2015: RMB29,051 million). The Group's interests is equal to the maximum exposure to loss of interests held by the Group in these unconsolidated structured entities, which are amounted to RMB948 million as at 31 December 2016 (31 December 2015: RMB461 million).

During the year, the amount of management fee income and investment gains from the unconsolidated collective asset management schemes managed by the Group amounted to RMB730 million as at 31 December 2016 (31 December 2015: RMB419 million).

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(Amounts in thousands of Renminbi, unless otherwise stated)

46. INTERESTS IN STRUCTURED ENTITIES (Continued)

(b) Structured entities set up and managed by third party institutions in which the Group holds an interest

The types of structured entities that the Group does not consolidate but in which it holds an interest include funds, asset management schemes, trust schemes, asset-backed securities and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through issue of units to investors.

The carrying amount of the related accounts in the consolidated statement of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities as at 31 December 2016 and 31 December 2015, which are listed as below:

	As at 31 December 2016			
	Available for-sale financial assets	Financial assets at fair value through profit or loss	Investments classified as loan and receivables	Total
Carrying amount of interests held by the Group				
– Funds	4,939,284	5,841,851	–	10,781,135
– Trust schemes and wealth management products	1,687,165	717,056	3,069,402	5,473,623
– Collective asset management schemes	339,680	608,703	–	948,383
Total	6,966,129	7,167,610	3,069,402	17,203,141
	As at 31 December 2015			
	Available for-sale financial assets	Financial assets at fair value through profit or loss	Investments classified as loan and receivables	Total
Carrying amount of interests held by the Group				
– Funds	3,274,104	14,427,859	–	17,701,963
– Trust schemes and wealth management products	3,310,675	–	2,869,100	6,179,775
– Collective asset management schemes	416,598	44,340	–	460,938
Total	7,001,377	14,472,199	2,869,100	24,342,676



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47. TRANSFERS OF FINANCIAL ASSETS

In the normal course of business, the Group enters into certain transactions in which it transfers recognized financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognizes all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards on these assets, the Group continues to recognize these assets.

Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security or rights and interests in a margin loan and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities and rights and interests in margin loans transferred. These securities and margin loans are not derecognized from the consolidated financial statements but regarded as "collateral" for the liabilities because the Group retain substantially all the risks and rewards of these securities and rights and interests in margin loans.

The proceeds from selling such securities are presented as financial assets sold under repurchase agreements, as disclosed in Note 44. Since the Group transfers contractual rights to the cash flows of the securities, it does not have the ability to sell or repledge these transferred securities during the term of these arrangements.

The following tables provide a summary of carrying amounts and fair values related to the transferred financial assets that are not derecognized in their entirety and the associated liabilities:

As at 31 December 2016	Financial assets			Advances to customers	Financial assets		Total
	Financial assets held for trading	designated at fair value through profit and loss	Available-for-sale financial assets		held under resale agreements		
Carrying amount of transferred assets	11,491,255	135,422	13,748,457	3,236,857	1,330,989	29,942,980	
Carrying amount of associated liabilities	(8,844,057)	(102,897)	(11,247,710)	(3,000,000)	(1,299,989)	(24,494,653)	
Net position	2,647,198	32,525	2,500,747	236,857	31,000	5,448,327	

As at 31 December 2015	Financial assets			Advances to customers	Financial assets		Total
	Financial assets held for trading	designated at fair value through profit and loss	Available-for-sale financial assets		held under resale agreements		
Carrying amount of transferred assets	6,576,662	-	13,481,369	32,431,945	-	52,489,976	
Carrying amount of associated liabilities	(5,960,208)	-	(12,217,712)	(26,675,000)	-	(44,852,920)	
Net position	616,454	-	1,263,657	5,756,945	-	7,637,056	



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47. TRANSFERS OF FINANCIAL ASSETS (Continued)

Securities lending arrangement

The Group entered into securities lending agreements with clients. As at 31 December 2015, it lent out its own equity securities and ETF classified as available-for-sale financial assets of RMB9 million and financial assets designated at fair value through profit or loss of RMB1,003 million, respectively. 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 term of lending, they have obligations to return these securities to the Group at specified future dates and the maximum covered period is 180 days. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized these securities in the consolidated financial statements.

As at 31 December 2016, the Group did not lend any of its own securities, but securities pledged by its brokerage clients, to its clients.

48. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 December 2016 and 2015, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

	As at 31 December	
	2016	2015
Within 1 year	455,280	416,840
Beyond 1 year and not more than 5 years	637,101	653,494
More than 5 years	206,934	205,235
	1,299,315	1,275,569

Lease of rented premises are negotiated with fixed lease term for 1 to 14 years (31 December 2015: 1 to 15 years).

The Group as lessor

At 31 December 2016 and 2015, the Group did not have material lease commitments as lessor.

49. CAPITAL COMMITMENTS

	As at 31 December	
	2016	2015
Contracted but not provided for Leasehold improvements	15,512	9,570



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50. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

For the year ended 31 December 2016

Name	Fee	Salaries and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive Directors:					
Chen Gongyan ⁽¹⁾	–	558	32	396	986
Chen Youan ⁽²⁾	–	1,222	33	393	1,648
Gu Weiguo	–	1,633	75	1,189	2,897
Wu Chengming	–	1,686	73	580	2,339
Non-executive Directors:					
Du Ping ⁽³⁾	–	–	–	–	–
Li Chaoyang	–	626	1,038	1,603	3,267
Shi Xun ⁽³⁾	–	–	–	–	–
Zhang Jinghua ⁽³⁾	–	–	–	–	–
Independent Non-executive Directors:					
Chi Fulin	240	–	–	–	240
Liu Feng	290	–	–	–	290
Luo Lin	260	–	–	–	260
Wu Yuwu	240	–	–	–	240
Supervisors:					
Chen Jijiang	–	687	87	1,603	2,377
Feng Heping ⁽⁴⁾	95	–	–	–	95
Liu Zhiyi	–	719	87	1,603	2,409
Tao Libin ⁽⁵⁾	25	–	–	–	25
Yu Wenxiu ⁽⁶⁾	–	1,221	46	890	2,157
Zhong Cheng	–	668	68	1,684	2,420
	1,150	9,020	1,539	9,941	21,650



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50. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

- (1) Appointed as executive director on 18 October 2016.
- (2) Resigned as executive director on 25 April 2016.
- (3) 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 and Central Huijin Investment Ltd. ("Central Huijin"). No allocation of the emoluments among these related parties and the Group has been made.
- (4) Resigned as supervisor on 18 October 2016.
- (5) Appointed as supervisor on 18 October 2016.
- (6) Resigned as supervisor on 13 October 2016.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

The supervisors' emoluments shown above were mainly for their services as supervisors of the Company.

Pursuant to the PRC relevant regulations, a portion of the performance-based bonus for certain executive directors, non-executive directors and supervisors are deferred for a minimum of 3 years contingent upon the future performance.



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50. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the year ended 31 December 2015

Name	Fee	Salaries and allowances	Employers contribution to pension schemes	Bonuses	Total
Executive Directors:					
Chen Youan ⁽¹⁾	–	1,206	61	1,987	3,254
Gu Weiguo	–	1,147	61	1,887	3,095
Wu Chengming	–	1,777	59	3,026	4,862
Non-executive Directors:					
Du Ping ^{(2) (3)}	–	–	–	–	–
Li Chaoyang ⁽³⁾	–	655	911	4,507	6,073
Li Chenghui ^{(2) (4)}	–	–	–	–	–
Qi Xiaoli ⁽⁴⁾	–	628	–	1,956	2,584
Shi Xun ⁽²⁾	–	–	–	–	–
Xu Guoping ^{(2) (4)}	–	–	–	–	–
Zhang Jinghua ^{(2) (3)}	–	–	–	–	–
Independent Non-executive Directors:					
Chi Fulin ⁽³⁾	120	–	–	–	120
Liu Feng	290	8	–	–	298
Luo Lin ⁽³⁾	130	–	–	–	130
Wang Shiding ⁽⁴⁾	130	8	–	–	138
Wu Yuwu	240	8	–	–	248
Zhou Ruijin ⁽⁴⁾	120	8	–	–	128
Supervisors:					
Chen Jijiang ⁽⁵⁾	–	724	83	1,671	2,478
Feng Heping ⁽⁵⁾	60	–	–	–	60
Gu Shulin ⁽⁶⁾	–	801	–	1,839	2,640
Liu Zhiyi	–	724	84	1,891	2,699
Wu Huanliang ⁽⁶⁾	60	7	–	–	67
Yu Wenxiu	–	1,136	59	1,848	3,043
Zhong Cheng	–	837	65	1,328	2,230
	1,150	9,674	1,383	21,940	34,147



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50. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

- (1) Appointed as executive director on 29 June 2015.
- (2) 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. No allocation of the emoluments among these related parties and the Group has been made.
- (3) Appointed as non-executive director on 29 June 2015.
- (4) Resigned as non-executive director on 29 June 2015.
- (5) Appointed as supervisor on 29 June 2015.
- (6) Resigned as supervisor on 29 June 2015.

As of the date of these issuance of consolidated financial statements, the above compensation packages including performance-based bonus for executive directors, non-executive directors and supervisors for the years ended 31 December 2016 and 31 December 2015 have not been finalized. Management of the Group believes that the difference between the final emoluments and that disclosed above will not have significant impact on the consolidated financial statements of the Group.

For the years ended 31 December 2016 and 2015, 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.



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51. 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	
	2016	2015
Basic salaries and allowances	3,147	5,892
Bonuses	49,330	41,587
Employer's contribution to pension schemes	6,012	416
	58,489	47,895

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 2016 and 2015.

The emoluments of the highest-paid individuals of the Group fall within the following bands:

	Year ended 31 December	
	2016 No. of employees	2015 No. of employees
Emolument bands		
– HKD8,500,001 to HKD9,000,000	–	1
– HKD9,000,001 to HKD9,500,000	–	1
– HKD9,500,001 to HKD10,000,000	–	–
– HKD11,000,001 to HKD11,500,000	–	1
– HKD11,500,001 to HKD12,000,000	–	1
– HKD12,000,001 to HKD12,500,000	2	–
– HKD12,500,001 to HKD17,500,000	3	–
– HKD17,500,001 to HKD18,000,001	–	1
	5	5

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52. RELATED PARTY TRANSACTIONS

(a) Transactions and balances with governmental related entities operated in the PRC.

(1) Immediate holding company and its subsidiaries

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 (31 December 2015: 5,217,743,240 shares), representing 54.71% of the entire equity interest of the Company as at 31 December 2016 (31 December 2015: 54.71%). 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.

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 2016 and 2015, the Group provided securities brokerage and asset management services to Galaxy Financial Holdings and its subsidiaries and details of the significant transactions and balances are set out below.

	As at 31 December	
	2016	2015
Accounts receivable	11,967	28,782
Accounts payable to brokerage clients	185,485	1,496,888
	Year ended 31 December	
	2016	2015
Commission and fee income	111,277	243,437
Interest expenses	4,510	10,312
Rental expenses paid or payable to	1,364	1,397

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52. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions and balances with governmental related entities operated in the PRC. (Continued)

(2) Central Huijin (other the Galaxy Financial Holdings and its subsidiaries)

Central Huijin holds equity interests in a number of banks and non-bank financial institutions in the PRC under the direction of the Chinese government (collectively referred to as the “Central Huijin Group”). The Group enters into 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 material transactions with Central Huijin Group

	Year ended 31 December	
	2016	2015
Commission and fee income	1,208	93,910
Interest income from banks and non-bank financial institutions within the Central Huijin Group	1,131,665	1,783,460
Investment gains of equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group	34,827	21,214
Interest expenses within the Central Huijin Group	21,100	67,853
Other operating expenses	1,359	1,465

The Group’s material balances with Central Huijin Group

	As at 31 December	
	2016	2015
Equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group classified as		
– available-for-sale financial assets	552,777	1,053,964
– financial assets held for trading	150,840	698,656
– financial assets designated at fair value through profit or loss	–	23,507
Bank balances deposited with banks within the Central Huijin Group	37,314,290	54,880,151
Other receivables and prepayments	2,773	–
Due to banks and non-bank financial institutions	885,555	520,274
Accounts payable to brokerage clients within the Central Huijin Group	770	1,000
Other payables and accruals	5,435	1,008
Financial assets held under resale agreements	3,000,000	2,000,000

As at 31 December 2016, the financial institutions within the Central Huijin Group invested an amount of RMB1,265 million (31 December 2015: RMB1,925 million) in collective asset management schemes and targeted asset management schemes launched by the Group.



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52. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions and balances with governmental related entities operated in the PRC. (Continued)

(3) Transactions with other government-related entities in the PRC

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, purchases 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.

(b) Other related parties in respect of key management personnel

(1) Other related parties in respect of key management personnel which have transactions with the Group are as follows:

Name	Relationship
China Galaxy Investment Management Company Limited ("Galaxy Investment")* (銀河投資管理有限公司)	Note 1
Bank of Tianjin Co., Ltd. ("Bank of Tianjin") (天津銀行股份有限公司)	Note 2
Yinhua Fund Management Co., Ltd. ("Yinhua Fund Management") (銀華基金管理股份有限公司)	Note 2
E-Capital Transfer Co., Ltd. ("E-Capital Transfer") (證通股份有限公司)	Note 3

Note 1: Mr. Song Weigang has served as the Vice President of Galaxy Financial Holdings and also as the chairman of Galaxy Investment since November 2016.

Note 2: Mr. Feng Heping serves as the independent non-executive director of Bank of Tianjin and Yinhua Fund Management and also as supervisor of the Company from 29 June 2015. Mr. Feng resigned his position as supervisor of the Company in October 2016.

Note 3: Mr. Gu Weiguo serves as president of the Company and also as the non-executive director of E-Capital Transfer from January 2015.

* These subsidiaries do not have official English names.



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52. RELATED PARTY TRANSACTIONS (Continued)

(b) Other related parties in respect of key management personnel (Continued)

- (1) Other related parties in respect of key management personnel which have transactions with the Group are as follows (Continued):

The Group's material transactions with other related parties in respect of key management personnel

Commission and fee income

	Year ended 31 December	
	2016	2015
Yinhua Fund Management	27,241	–

Interest expenses

	Year ended 31 December	
	2016	2015
Bank of Tianjin	14,901	4,097

Other income

	Year ended 31 December	
	2016	2015
Galaxy Investment	1,689	1,693

Expenses paid or payable to

	Year ended 31 December	
	2016	2015
Galaxy Investment	110,867	97,180
E-Capital Transfer	3,884	–

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52. RELATED PARTY TRANSACTIONS (Continued)

(b) Other related parties in respect of key management personnel (Continued)

- (1) Other related parties in respect of key management personnel which have transactions with the Group are as follows: (Continued)

The Group's material balances with other related parties in respect of key management personnel

Accounts payable to brokerage clients

	As at 31 December	
	2016	2015
Galaxy Investment	11,275	21,146

The Group's lease commitments with Galaxy Investment

	As at 31 December	
	2016	2015
The Group as lessee		
Within 1 year	110,768	107,843
Beyond 1 year and not more than 2 years	6,728	4,828
Beyond 2 years and not more than 3 years	1,589	3,951
	119,085	116,622

(2) Key management personnel compensations

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and other members of senior management.

The key management compensation for the years ended 31 December 2016 and 2015 comprises:

	Year ended 31 December	
	2016	2015
Salaries, allowances, bonuses, social welfare and annuity scheme contribution	40,770	67,142

The key management personnel's final compensation packages for the years ended 31 December 2016 and 2015 have not yet been finalized in accordance with regulations of the PRC relevant authorities. Management of the Group believes that the difference between the final emoluments and that disclosed above will not have significant impact on the consolidated financial statements of the Group.



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52. RELATED PARTY TRANSACTIONS (Continued)

(b) Other related parties in respect of key management personnel (Continued)

(2) Key management personnel compensations (Continued)

During the year, key management personnel have interests amounting to RMB0.10 million (31 December 2015: RMB45.97 million) in collective asset management schemes set up and managed by Galaxy Jinhui, a subsidiary of the Company.

53. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December	
	2016	2015
Financial asset		
Loans and receivables	177,813,782	228,262,199
– Investments classified as loans and receivables	3,643,112	3,119,100
– Advances to customers	55,476,601	70,138,177
– Accounts receivable	774,651	764,030
– Other financial assets	3,415,694	2,220,083
– Financial assets held under resale agreements	13,006,200	21,790,689
– Deposits with exchanges	7,070,055	4,388,963
– Clearing settlement funds	25,363,435	23,259,552
– Bank balances	69,064,034	102,581,605
Available-for-sale financial assets	36,524,139	32,125,186
Financial assets held for trading	27,117,771	37,267,147
Financial assets designated at fair value through profit or loss	2,245,547	1,656,671
Derivative financial assets	8,477	23,536
Financial liabilities		
Financial liabilities at amortized cost	182,197,273	233,869,746
– Bonds payable	46,312,382	50,400,925
– Financing instrument payables	11,518,110	13,867,870
– Accounts payable to brokerage clients	90,404,209	117,992,209
– Other financial liabilities	7,682,497	6,755,822
– Financial assets sold under repurchase agreements	24,494,653	44,852,920
– Due to banks and a non-bank financial institution	1,785,422	–
Financial liabilities at fair value through profit or loss	713,502	51,039
Derivative financial liabilities	38,002	341,443

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54. 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 2016						
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	
Advances to customers ⁽¹⁾	2,060,619	(102,038)	1,958,581	(1,908,175)	-	50,406
Accounts receivable from clearing house ⁽²⁾	315,921	(245,975)	69,946	-	-	69,946
Total	2,376,540	(348,013)	2,028,527	(1,908,175)	-	120,352

As at 31 December 2015						
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	
Advances to customers ⁽¹⁾	1,877,644	(119,826)	1,757,818	(1,750,272)	-	7,546
Accounts receivable from clearing house ⁽²⁾	243,205	(163,110)	80,095	-	-	80,095
Total	2,120,849	(282,936)	1,837,913	(1,750,272)	-	87,641

* These represents market values of shares pledged by customers, which are capped at the outstanding balances of respective customers.

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(Amounts in thousands of Renminbi, unless otherwise stated)

54. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

(b) Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

As at 31 December 2016

Type of financial liabilities	Gross amounts		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
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position		Financial instruments	Cash collateral pledged	
	Accounts payable to					
– margin clients ⁽¹⁾	808,342	(102,038)	706,304	–	–	706,304
– clearing house ⁽²⁾	359,150	(245,975)	113,175	–	(16,158)	97,107
Total	1,167,492	(348,013)	819,479	–	(16,158)	803,321

As at 31 December 2015

Type of financial liabilities	Gross amounts		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
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position		Financial instruments	Cash collateral pledged	
	Accounts payable to					
– margin clients ⁽¹⁾	872,335	(119,826)	752,509	–	–	752,509
– clearing house ⁽²⁾	183,797	(163,110)	20,687	–	(14,741)	5,946
Total	1,056,132	(282,936)	773,196	–	(14,741)	758,455

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(Amounts in thousands of Renminbi, unless otherwise stated)

54. 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 its clients, certain amounts receivable and payable with the same client on the same settlement date are settled on net basis.
- ⁽²⁾ Under the continuous net settlement, certain receivables and payables with Hong Kong Securities Clearing Company Limited and other brokers on the same settlement dates 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 line item presented in the consolidated statement of financial position.

	As at 31 December	
	2016	2015
Advances to customers		
Net amount of advances to customers as stated above	1,958,581	1,757,818
Amount not in scope of offsetting disclosures	53,518,020	68,380,359
Total amount of advances to customers as stated in Note 28	55,476,601	70,138,177



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT

Overview

The Group's risk management objectives are to ensure its development within a sustainable and healthy direction, its business operated orderly within an acceptable risk framework and its overall risks within a measurable, controllable and acceptable manner, aiming to achieve the Group's overall development strategy. The Group's risk management strategy is to identify and analyse the various risks faced by the Group, 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 is mainly exposed to credit risk, market risk, operational risk and liquidity risk. The Group has established risk management policies and procedures to identify and analyse 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 principles include the consideration of the levels of comprehensiveness, prudence, counter checking and balancing and independence.

Risk management organizational structure

The corporate risk management structure consists of the upper level which involves shareholders, the Board of Directors, the Board of Supervisors and the management, and the basic level which involves the business departments, branches, Risk Management Department, Legal and Compliance Department, Finance and Accounting Department, Audit Department and Disciplinary Inspection Office.

The Board of Directors is the highest decision making body of the risk management structure, taking the ultimate responsibility for the Company's risk management duties through the Risk Management Committee and Audit Committee established under it. The Board of Supervisors monitors whether the Board of Directors and the management have fulfilled their responsibilities in respect of risk management on a timely and effective manner. The 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 heads of business departments and branches are in charge of the risk management of their respective departments and branches. Risk control officers and compliance managers are responsible for the daily risk management of the business operations under the guidance of risk management department. Risk Management Department, Legal and Compliance Department, Finance and Accounting Department, Audit Department and Disciplinary Inspection Office are responsible for monitoring and managing various risks.



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

Risk management organizational structure (Continued)

55.1 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 credit exposure mainly relates to fixed income financial assets, financial assets under margin financing and securities lending arrangement and the Group's securities and futures brokerage business. The Group's financial assets exposed to credit risk mainly include advances to customers, accounts receivable, other financial assets, investments classified as loans and receivables, available-for-sale financial assets, financial assets held under resale agreements, financial assets held for trading, financial assets designated 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, investments classified as loans and receivables and debt securities. Credit risk mainly includes counterparty risk and securities issuer's default risk.

Bank balances of the Group 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").

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 to trade with.

In order to manage the risk of its investment portfolio, the Group invests primarily in bonds with rating of AA- or above. Therefore, the Group considers 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 monitors margin trading clients' accounts on an individual customer basis and call for additional margin deposits, cash collateral or securities whenever 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 2016 and 2015, the collateral ratios of most of the Group's margin clients were above 130%, respectively.

The credit risk of the Group also arises from their securities and futures brokerage business. In the case of customers failing to deposit adequate funds, the Group may have to complete trade settlements by using their own funds. To mitigate these credit risks, the Group requires cash deposit of full amounts for all transactions before they settle on behalf of customers.



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

Risk management organizational structure (Continued)

55.1 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.

As at 31 December 2016, other than those financial assets whose carrying amounts represent maximum exposure to credit risks, the Group is also exposed to credit risks arising from security lending and borrowing activities as clients may default on returning securities borrowed. Securities lent to clients may include securities collateral received from other clients under similar lending and borrowing arrangements. Therefore, these securities may not be recognized in the consolidated statement of position of the Group. As at 31 December 2016, the total amount of the securities (both the Group's own securities and securities borrowed by the Group) lent to clients amounted to RMB106million (31 December 2015: RMB1,012 million).

The concentration of credit risk is limited due to the counterparty and customer base being large and diversified.

55.2 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 utilizes sensitivity analysis as the main tool of monitoring interest rate risk and measuring the impact to profit and equity for a reasonable and possible change of interest rates, assuming all other variables were held constant. Debt securities of the Group mainly comprise corporate bonds, and the Group mitigates the interest rate risk through monitoring the durations and convexities of its bond portfolios. 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 XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

Risk management organizational structure (Continued)

55.2 Market risk (Continued)

Interest rate risk (Continued)

The tables below summarize the Group's interest-bearing financial assets and liabilities by their remaining terms to repricing or contractual maturity date, whichever is earlier. Other financial assets and liabilities not included below are not exposed to significant interest rate risk.

As at 31 December 2016

	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	55,476,601	–	–	–	55,476,601
Investments classified as loans and receivables	573,710	–	3,069,402	–	3,643,112
Available-for-sale debt securities	1,732,534	4,817,724	4,947,546	3,110,187	14,607,991
Financial assets held under resale agreements	6,017,122	6,989,078	–	–	13,006,200
Financial assets held for trading	9,512,336	3,145,222	3,924,556	3,014,994	19,597,108
Financial assets designated at fair value through profit or loss	–	20,578	153,720	91,898	266,196
Clearing settlement funds	25,363,435	–	–	–	25,363,435
Bank balances	69,063,879	–	–	–	69,063,879
Subtotal	167,739,617	14,972,602	12,095,224	6,217,079	201,024,522
Financial liabilities					
Bonds payable	22,300,000	21,140,922	2,871,460	–	46,312,382
Due to banks and non-bank financial institutions	1,785,422	–	–	–	1,785,422
Financing instrument payables	11,518,110	–	–	–	11,518,110
Accounts payable to brokerage clients	90,404,209	–	–	–	90,404,209
Financial assets sold under repurchase agreements	24,494,653	–	–	–	24,494,653
Other financial liabilities	1,769,668	–	2,304,915	330,403	4,404,986
Subtotal	152,272,062	21,140,922	5,176,375	330,403	178,919,762
Net interest-bearing position	15,467,555	(6,168,320)	6,918,849	5,886,676	22,104,760



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(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

Risk management organizational structure (Continued)

55.2 Market risk (Continued)

Interest rate risk (Continued)

As at 31 December 2015

	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	70,138,177	–	–	–	70,138,177
Investments classified as loans and receivables	250,000	–	2,869,100	–	3,119,100
Available-for-sale debt securities	1,582,491	2,083,724	3,098,870	6,991,799	13,756,884
Financial assets held under resale agreements	21,465,553	325,136	–	–	21,790,689
Financial assets held for trading	11,926,533	2,859,386	4,549,090	2,379,815	21,714,824
Financial assets designated at fair value through profit or loss	–	–	2,005	7,166	9,171
Clearing settlement funds	23,259,552	–	–	–	23,259,552
Bank balances	102,581,540	–	–	–	102,581,540
Subtotal	231,203,846	5,268,246	10,519,065	9,378,780	256,369,937
Financial liabilities					
Bonds payable	22,830,000	26,583,175	987,750	–	50,400,925
Due to banks and non-bank financial institutions	1,190,515	–	–	–	1,190,515
Financing instrument payables	5,216,100	8,651,770	–	–	13,867,870
Accounts payable to brokerage clients	117,992,209	–	–	–	117,992,209
Financial liabilities held for trading	51,039	–	–	–	51,039
Financial assets sold under repurchase agreements	44,852,920	–	–	–	44,852,920
Other financial liabilities	891,382	–	2,204,005	325,488	3,420,875
Subtotal	193,024,165	35,234,945	3,191,755	325,488	231,776,353
Net interest-bearing position	38,179,681	(29,966,699)	7,327,310	9,053,292	24,593,584

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

Risk management organizational structure (Continued)

55.2 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. 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.

The analysis is prepared assuming:

- Interest income and expenses are recorded in profit of loss for when interest-bearing financial assets are repriced or reinvested at 100 basis points higher or lower when their interests are re-priced or mature; and
- Fair values of interest-sensitive financial assets change in responses to changes in 100 basis points by using duration analysis.

A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax or vice versa.

	Year ended 31 December	
	2016	2015
Profit before income tax for the year		
Increase by 100 basis points	(259,414)	(240,955)
Decrease by 100 basis points	259,414	240,955
	Year ended 31 December	
	2016	2015
Other comprehensive income before income tax		
Increase by 100 basis points	(418,091)	(465,189)
Decrease by 100 basis points	418,091	465,189



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(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

Risk management organizational structure (Continued)

55.2 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 currency risk primarily relates to the Group'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 are not material compared to the total assets and liabilities. In terms of the Group's revenue structure, the majority of the business transactions are denominated in RMB, and the proportion of foreign currency transactions is not significant to the Group. The Group considers that the currency risk of the Group's operations is immaterial due to the relatively low proportion of the Group's foreign currency denominated assets, liabilities, income and expense, as compared to the Group'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 price risk exposure mainly relates to investments in equity securities, funds, convertible bonds, derivatives and collective asset management schemes whose values will fluctuate as a result of changes in market prices. Most of these investments are made in the capital markets in China.

The Group'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. Therefore, in general concentration risk of the Group in respect of price risk is not significant, except for the Group's participation in the account managed by CSFCL as disclosed in Note 23. The Group uses derivatives contracts to hedge against certain exposures arising from its investment portfolio.



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55. FINANCIAL RISK MANAGEMENT (Continued)

Risk management organizational structure (Continued)

55.2 Market risk (Continued)

Price risk (Continued)

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 schemes by 10% with all other variables held constant. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax or vice versa.

	Year ended 31 December	
	2016	2015
Profit before income tax for the year		
Increase by 10%	854,561	1,669,330
Decrease by 10%	(854,561)	(1,669,330)
	Year ended 31 December	
	2016	2015
Other comprehensive income before income tax		
Increase by 10%	2,170,495	1,806,814
Decrease by 10%	(2,170,495)	(1,806,814)



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

Risk management organizational structure (Continued)

55.3 Liquidity risk

Liquidity risk is the risk that the Group 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 may face liquidity risk caused by macroeconomic policy change, market fluctuations, poor operations, credit downgrades, mismatch of assets and liabilities, low turnover rate of assets, underwriting on a firm commitment basis, significant proprietary trading position, or any significant illiquid long-term investments. If the Group fails to address any liquidity risk by adjusting the asset structure or comply with regulatory requirements on certain risk indicators, the Group could be penalized by the regulatory authority, which could cause adverse impacts to the Group's operations and reputations.

The Group centralized management and controls over its treasury functions. The Group prepares 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 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.

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55. FINANCIAL RISK MANAGEMENT (Continued)

Risk management organizational structure (Continued)

55.3 Liquidity risk (Continued)

Undiscounted cash flows by contractual maturities (Continued)

As at 31 December 2016

	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
Financial assets							
Advances to customers	-	1,938,902	10,442,287	47,089,325	-	-	59,470,514
Accounts receivable	-	774,651	-	-	-	-	774,651
Other financial assets	-	62,313	-	-	-	-	62,313
Investments classified as loans and receivables	-	-	-	594,130	3,962,380	-	4,556,510
Available-for-sale financial assets	21,403,825	-	367,731	1,657,872	11,981,357	4,472,896	39,883,681
Financial assets held under resale agreements	-	-	357,358	5,944,638	7,930,787	-	14,232,783
Financial assets held for trading	7,520,662	-	2,967,928	7,233,253	8,815,549	3,477,839	30,015,231
Financial assets designated at fair value through profit or loss	653,592	1,381	748,372	604,356	527,787	852,519	3,388,007
Derivative financial assets	-	-	609	7,868	-	-	8,477
Deposits with exchanges and a non-bank financial institution	-	7,070,055	-	-	-	-	7,070,055
Clearing settlement funds	-	25,363,435	-	-	-	-	25,363,435
Bank balances	-	55,886,450	4,797,382	7,917,104	961,237	-	69,562,173
Subtotal	29,578,079	91,097,187	19,681,667	71,048,546	34,179,097	8,803,254	254,387,830
Financial liabilities							
Bonds payable	-	-	7,627,050	17,336,850	25,285,004	-	50,248,904
Due to banks and non-bank financial institutions	-	-	1,787,625	-	-	-	1,787,625
Financing instrument payables	-	-	7,920,923	3,766,505	-	-	11,687,428
Accounts payable to brokerage clients	-	90,404,209	-	-	-	-	90,404,209
Other financial liabilities	330,403	2,852,455	491,689	153,296	3,223,557	-	7,051,400
Financial liabilities designated at fair value through profit or loss	-	-	364,905	348,597	-	-	713,502
Derivative financial liabilities	-	-	624	37,378	-	-	38,002
Financial assets sold under repurchase agreements	-	-	19,565,600	5,163,240	-	-	24,728,840
Subtotal	330,403	93,256,664	37,758,416	26,805,866	28,508,561	-	186,659,910
Net position	29,247,676	(2,159,477)	(18,076,749)	44,242,680	5,670,536	8,803,254	67,727,920



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55. FINANCIAL RISK MANAGEMENT (Continued)

Risk management organizational structure (Continued)

55.3 Liquidity risk (Continued)

Undiscounted cash flows by contractual maturities (Continued)

As at 31 December 2015

	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
Financial assets							
Advances to customers	-	-	9,844,664	63,784,417	-	-	73,629,081
Accounts receivable	-	764,030	-	-	-	-	764,030
Other financial assets	-	52,911	-	-	-	-	52,911
Investments classified as loans and receivables	-	-	7,500	257,500	3,962,380	-	4,227,380
Available-for-sale financial assets	17,314,478	-	715,714	913,368	9,691,098	8,480,813	37,115,471
Financial assets held under resale agreements	-	-	20,645,474	912,540	371,277	-	21,929,291
Financial assets held for trading	15,559,901	-	2,866,638	9,057,716	9,199,837	2,951,363	39,635,455
Financial assets designated at fair value through profit or loss	1,603,160	-	-	46,769	2,115	6,583	1,658,627
Derivative financial assets	-	23,536	-	-	-	-	23,536
Deposits with exchanges and a non-bank financial institution	-	4,388,963	-	-	-	-	4,388,963
Clearing settlement funds	-	23,259,552	-	-	-	-	23,259,552
Bank balances	-	93,838,566	4,522,605	4,502,651	-	-	102,863,822
Subtotal	34,477,539	122,327,558	38,602,595	79,474,961	23,226,707	11,438,759	309,548,119
Financial liabilities							
Bonds payable	-	-	5,928,926	13,424,725	36,256,641	-	55,610,292
Due to banks and non-bank financial institutions	-	-	1,192,096	-	-	-	1,192,096
Financing instrument payables	-	-	2,423,435	8,810,593	3,076,151	-	14,310,179
Accounts payable to brokerage clients	-	117,992,209	-	-	-	-	117,992,209
Other financial liabilities	500,988	1,936,784	6,000	206,000	3,132,983	52,502	5,835,257
Financial liabilities held for trading	-	-	51,039	-	-	-	51,039
Derivative financial liabilities	-	341,443	-	-	-	-	341,443
Financial assets sold under repurchase agreements	-	1,115,664	24,979,306	22,119,343	-	-	48,214,313
Subtotal	500,988	121,386,100	34,580,802	44,560,661	42,465,775	52,502	243,546,828
Net position	33,976,551	941,458	4,021,793	34,914,300	(19,239,068)	11,386,257	66,001,291



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(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

Risk management organizational structure (Continued)

55.4 Capital management

The Group's objectives of capital management are:

- To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- To support 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 2016) (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. Risk coverage ratio (net capital divided by the total risk capital reserves) shall be no less than 100% ("Ratio 1");
2. Capital leverage ratio (core net capital divided by total on-and-off-balance sheet assets) shall be no less than 8% ("Ratio 2");
3. Liquidity coverage ratio (high quality liquid assets divided by net cash outflow in 30 days) shall be no less than 100% ("Ratio 3");
4. Net stable funding ratio (the available amount of stable funding divided by the required amount of stable funding) shall be no less than 100% ("Ratio 4");
5. The ratio of net capital divided by net assets shall be no less than 20% ("Ratio 5");
6. The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 6");
7. The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 7");
8. The ratio of the value of proprietary equity securities and securities derivatives divided by net capital shall not exceed 100% ("Ratio 8"); and
9. The ratio of the value of proprietary non-equity securities and securities derivatives divided by net capital shall not exceed 500% ("Ratio 9").

Net capital refers to net assets minus risk adjustments on certain types of assets and liabilities, and add supplemental capital and other adjustments as defined in the Administrative Measures.



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

Risk management organizational structure (Continued)

55.4 Capital management (Continued)

As at 31 December 2016 and 2015, the Company maintained the above ratios as follows:

	As at 31 December	
	2016	2015
Net capital	53,108,748	65,221,481
Ratio 1	361.60%	495.46%
Ratio 2	34.88%	29.33%
Ratio 3	218.70%	1,132.07%
Ratio 4	138.74%	155.69%
Ratio 5	93.33%	115.93%
Ratio 6	59.81%	54.82%
Ratio 7	64.09%	47.28%
Ratio 8	31.14%	21.47%
Ratio 9	86.52%	81.99%

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 2016 and 2015.



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

56. FAIR VALUE OF FINANCIAL INSTRUMENTS

56.1 Fair value of the Group's financial assets and financial liabilities that are not measured on a recurring basis.

The carrying amounts of the Group's financial assets and liabilities not measured at fair value approximate their fair values as at 31 December 2016 and 31 December 2015 except for the following financial liabilities, for which their carrying amounts including interest payable and fair value are disclosed below:

Non-current	As at 31 December 2016	
	Carrying amounts	Fair value
Bonds payable	24,252,929	24,687,381
	As at 31 December 2015	
Non-current	Carrying amounts	Fair value
Bonds payable	28,715,006	29,696,557
Financing instrument payables	3,025,533	3,076,151

Fair values of these financial instruments are categorized as level 2 as explained below and determined by contractual cash flows discounted by observable yield curves.

56.2 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 those derived from 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 XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

56.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	As at 31 December		Fair value	
	2016	2015	Hierarchy	Valuation technique(s) and key input(s)
Available-for-sale financial asset				
- Debt securities traded on stock exchanges	12,664,793	11,311,185	Level 1	• Quoted bid prices in an active market.
- Debt securities traded on interbank market	1,943,198	1,442,555	Level 2	• 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 and funds traded on stock exchanges	6,877,971	3,420,465	Level 1	• Quoted bid prices in an active market.
- Equity securities traded on national equities exchange and quotations	6,853	12,136	Level 2	• Recent transaction prices.
- Equity securities traded on stock exchanges with lock-up periods (Note 1)	2,938,322	1,949,479	Level 3	• Fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.
- Other investments	10,355,637	12,309,007	Level 2	• 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 (Note 1)	1,526,165	1,398,971	Level 3	• The fair values are calculated and provided by investment portfolios managers base on the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
Financial liabilities fair value through profit or loss				
- Securities lending	-	(51,039)	Level 2	• Determined with reference to the fair value of the underlying securities.
- Equity securities	(349,923)	-	Level 1	• Fair value is determined with quoted bid prices in an active market.
- Other investments	(363,579)	-	Level 2	• Based on the bid prices of stock index in an active market
Financial assets held-for-trading				
- Debt securities traded on stock exchanges	8,706,032	5,208,944	Level 1	• Quoted bid prices in an active market.
- Debt securities traded on interbank market	10,891,076	16,505,880	Level 2	• 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 and funds traded on stock exchanges and unlisted funds (open-ended mutual funds)	7,520,663	14,962,903	Level 1	• Quoted bid prices in an active market.
- Asset-backed securities, other investments and unlisted funds	-	589,420	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 at fair value through profit or loss				
- Debt securities traded on stock exchanges	266,196	9,171	Level 1	• Quoted bid prices in an active market.
- Equity securities and funds traded on stock exchanges	199	1,260,509	Level 1	• Quoted bid prices in an active market.
- Trust schemes and wealth management products	717,056	-	Level 2	• Based on the bid prices of stock index in an active market
- Other investments	608,703	44,340	Level 2	• Based in the bid prices of stock index in an active market.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

56.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	As at 31 December		Fair value	
	2016	2015	Hierarchy	Valuation technique(s) and key input(s)
- Equity securities traded on national equities exchange and quotations	653,393	342,651	Level 2	• Recent transaction prices.
Derivative financial instruments				
- Equity return swaps – assets	7,548	23,536	Level 2	• 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	(37,226)	(341,279)	Level 2	• 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 – assets (Note 2)	2,980	-	Level 1	• Quoted bid prices in an active market.
- Stock index futures – liabilities (Note 2)	(73)	(8,156)	Level 1	• Quoted bid prices in an active market.
- Treasury bond futures – assets (Note 2)	9,203	-	Level 1	• Quoted bid prices in an active market.
- Treasury bond futures – liabilities (Note 2)	(1,319)	(1,146)	Level 1	• Quoted bid prices in an active market.
- Commodity futures – assets (Note 2)	535	-	Level 1	• Quoted bid prices in an active market.
- Commodity futures – liabilities (Note 2)	(3,382)	-	Level 1	• Quoted bid prices in an active market.
- Options – assets	447	-	Level 1	• Quoted bid prices in an active market.
- Options – liabilities	(542)	-	Level 1	• Quoted bid prices in an active market.
- Options – assets (Note 3)	482	-	Level 3	• Calculated based on Black-Scholes option pricing model.
- Options – liabilities (Note 3)	(234)	(164)	Level 3	• Calculated based on Black-Scholes option pricing model.

Notes:

- The unobservable input 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 1% to 13.22% (31 December 2015: ranging from 4.96% to 29.08%). The higher the discount rate, the lower the fair value. In respect of unlisted available-for-sale equity securities, holding other variables constant, when the liquidity discount increases or decreases by 10%, the fair value of Level 3 financial assets will decrease or increase by RMB446 million.
- As disclosed in Note 33, these derivatives are under daily mark-to-market and settlement arrangements. 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.
- The unobservable input to fair value is historical price volatility in relation to the judgement of future price. The higher the price volatility, the higher the fair value. As the carrying amounts of these financial instruments are not material, the significant inputs and their sensitivity analysis are not presented.



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

56.3 Reconciliation of Level 3 fair value measurements

	Available-for-sale financial assets
At 1 January 2016	3,348,450
Recognized in other comprehensive income	(100,208)
Purchases	3,756,564
Transfers out (Note)	(2,540,319)
As at 31 December 2016	4,464,487
	Available-for-sale financial assets
At 1 January 2015	847,743
Recognized in other comprehensive income	787,688
Purchases	2,898,210
Transfers out (Note)	(1,185,191)
As at 31 December 2015	3,348,450

Note: These are equity securities traded on stock exchanges with lock-up periods or asset management schemes which holds listed shares with lock-up periods. They were transferred from Level 3 to Level 1 when the lock-up period lapsed and became unrestricted.

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.

57. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 23 January 2017, the Company completed its A Share Offering of 600 million shares at a price of RMB6.81 per share on the Shanghai Stock Exchange. The net proceeds of this share offering amounted to RMB3,954 million. The number of shares in issue was also changed from 9,537,258,787 to 10,137,258,757 accordingly.

Subsequent to the end of the reporting period, on 23 March 2017, the Board of Directors of the Company was resolved to acquire certain operations of CIMB Group Sdn Bhd ("CIMB") through its subsidiary China Galaxy International Financial Holdings Company Limited. Operations to be acquired include institutional and retail brokerage, and research functions. However, the Group has not yet entered into any agreement with CIMB. Therefore, the amounts involved and terms of this potential acquisition have not yet been determined. Details are disclosed in announcement dated 24 March 2017.

Subsequent to the end of reporting period, in March 2017, the Company completed non-public issuance of corporate bonds to raise RMB13,130 million. These bonds bear interests at 4.60-4.98% per annum and the terms are from 6 months to 2.5 years. Proceeds from the issuance of these bonds will be used to supplement the working capital of the Group.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

58. INVESTMENTS IN SUBSIDIARIES

As at 31 December 2016, the Company has the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Equity interest and voting right held by the Group		Share capital/ paid-up capital (RMB unless otherwise stated)	Principal activities
		31/12/2016	31/12/2015		
Galaxy Capital Management Company Limited* (銀河創新資本管理有限公司)	Beijing, PRC	100.00%	100.00%	1,000,000,000	Assets management and project investment
China Galaxy International Financial Holdings Company Limited (“Galaxy International Financial Holdings”)	Hong Kong, PRC	100.00%	100.00%	N/A	Investment holding
Galaxy Futures Company Limited* (銀河期貨有限公司)	Beijing, PRC	83.32%	83.32%	1,200,000,000	Commodity futures broking, financial futures broking, futures investment consultancy and asset management
Galaxy Jinhui Securities Asset Management Company Limited (“Galaxy Jinhui”)* (銀河金匯證券資產管理有限公司)	Shenzhen, PRC	100.00%	100.00%	500,000,000	Asset management
Galaxy Yuanhui Investment Company Limited* (銀河源匯投資有限公司)	Shanghai, PRC	100.00%	100.00%	350,000,000	Alternative investment
China Galaxy International Futures (Hong Kong) Company Limited	Hong Kong, PRC	100.00%	100.00%	N/A	Futures contracts dealing and broking
China Galaxy International Securities (Hong Kong) Company Limited	Hong Kong, PRC	100.00%	100.00%	N/A	Securities broking, advising on securities and corporate finance
China Galaxy International Finance (Hong Kong) Company Limited	Hong Kong, PRC	100.00%	100.00%	N/A	Money lending
China Galaxy International Assets Management (Hong Kong) Company Limited	Hong Kong, PRC	100.00%	100.00%	N/A	Asset management

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

58. INVESTMENTS IN SUBSIDIARIES (Continued)

As at 31 December 2016, 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/ paid-up capital (RMB unless otherwise stated)	Principal activities
		31/12/2016	31/12/2015		
Galaxy Golden Rock Investment Consultancy (Shenzhen) Company Limited* (銀河金岩投資諮詢(深圳)有限公司)	Shenzhen, PRC	100.00%	100.00%	2,200,000	Enterprise management consultancy and project investment consultancy
China Galaxy International Wealth Management (Hong Kong) Company Limited	Hong Kong, PRC	100.00%	100.00%	N/A	Wealth management and insurance broking
Galaxy Yueke Fund Management Co., Ltd.* (銀河粵科基金管理有限公司)	Foshan, PRC	51.00%	51.00%	100,000,000	Investment fund management
Galaxy Yueke (Guangdong) Industry Investment Fund (Limited Partnership) * (銀河粵科(廣東)產業投資基金(有限合夥))	Foshan, PRC	40.00%	40.00%	500,000,000	Investing in securities
Galaxy Derivatives Capital Management Company Limited* (銀河德睿資本管理有限公司)	Shanghai, PRC	88.00%	70.00%	500,000,000	Assets and investment management

* 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 XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

59. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) The Company's statement of financial position

AS AT 31 DECEMBER 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
		2016	2015
Non-current assets			
Property and equipment		359,774	406,538
Goodwill		223,278	223,278
Other intangible assets		341,067	345,773
Investments in subsidiaries	58	3,535,480	3,185,480
Available-for-sale financial assets		18,253,782	17,095,385
Financial assets held under resale agreements		6,989,078	323,624
Deposits with exchanges and a non-bank financial institution		266,461	747,953
Deferred tax assets		271,251	166,989
Total non-current assets		30,240,171	22,495,020
Current assets			
Advances to customers		52,799,635	68,114,975
Accounts receivable		352,584	412,280
Current tax assets		662,699	–
Other receivables and prepayments		3,431,707	2,188,219
Amounts due from subsidiaries		187,713	622,262
Available-for-sale financial assets		573,710	–
Loan and receivable investments		18,688,731	14,692,743
Financial assets held under resale agreements		5,498,614	20,802,999
Financial assets held for trading		25,072,666	36,316,471
Financial assets designated at fair value through profit or loss		865,654	1,612,331
Derivative financial assets		7,590	23,536
Deposits with exchanges and a non-bank financial institution		34,208	3
Clearing settlement funds		24,724,447	23,025,915
Bank balances		53,632,981	91,499,323
Total current assets		186,532,939	259,311,057
Total assets		216,773,110	281,806,077
EQUITY AND LIABILITIES			
Equity			
Share capital	59(b)	9,537,259	9,537,259
Reserves	59(b)	33,648,118	33,130,473
Retained profits	59(b)	13,717,444	13,589,997
Total equity		56,902,821	56,257,729



SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

59. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

(a) The Company's statement of financial position (Continued)

AS AT 31 DECEMBER 2016

(Amounts in thousands of Renminbi, unless otherwise stated)

	As at 31 December	
	2016	2015
Liabilities		
Non-current liabilities		
Bonds payable	23,713,682	27,570,925
Financing instrument payables	–	3,000,000
Other payables and accruals	–	260,691
Total non-current liabilities	23,713,682	30,831,616
Current liabilities		
Bonds payable	22,300,000	22,830,000
Financing instrument payables	11,518,110	10,867,870
Accounts payable to brokerage clients	71,081,667	106,566,951
Accrued staff costs	3,669,039	5,245,124
Other payables and accruals	2,509,231	3,365,395
Current tax liabilities	–	596,154
Financial liabilities designated at fair value through profit or loss	704,180	51,039
Derivative financial liabilities	37,226	341,279
Financial assets sold under repurchase agreements	24,337,154	44,852,920
Total current liabilities	136,156,607	194,716,732
Total liabilities	159,870,289	225,548,348
Total equity and liabilities	216,773,110	281,806,077
Net current assets	50,376,332	64,594,325
Total assets less current liabilities	80,616,503	87,089,345

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

59. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

(b) Movement in the Company's reserves

The movements in share capital, reserves and retained profits of the Company are set out below:

	Reserves							Total equity
	Share capital	Investment Capital reserve	Investment revaluation reserve	General reserves	Other reserves	Subtotal	Retained profits	
At 1 January 2015	7,537,259	4,746,899	251,806	8,180,496	(26,608)	13,152,593	8,105,040	28,794,892
Profit for the year	-	-	-	-	-	-	9,558,453	9,558,453
Other comprehensive income/ (expense) for the year	-	-	254,608	-	(8,540)	246,068	-	246,068
Total comprehensive income/ (expense) for the year	-	-	254,608	-	(8,540)	246,068	9,558,453	9,804,521
Placing of new H shares	2,000,000	16,923,098	-	-	-	16,923,098	-	18,923,098
Costs of placing of new H shares	-	(58,821)	-	-	-	(58,821)	-	(58,821)
Appropriation to general reserves	-	-	-	2,867,535	-	2,867,535	(2,867,535)	-
Dividend recognized as distribution	-	-	-	-	-	-	(1,205,961)	(1,205,961)
At 31 December 2015	9,537,259	21,611,176	506,414	11,048,031	(35,148)	33,130,473	13,589,997	56,257,729
Profit for the year	-	-	-	-	-	-	4,653,511	4,653,511
Other comprehensive income/ (expense) for the year	-	-	(886,918)	-	8,510	(878,408)	-	(878,408)
Total comprehensive income/ (expense) for the year	-	-	(886,918)	-	8,510	(878,408)	4,653,511	3,775,103
Appropriation to general reserves	-	-	-	1,396,053	-	1,396,053	(1,396,053)	-
Dividend recognized as distribution	-	-	-	-	-	-	(3,130,011)	(3,130,011)
At 31 December 2016	9,537,259	21,611,176	(380,504)	12,444,084	(26,638)	33,648,118	13,717,444	56,902,821



APPENDIX: THE CONDITION OF THE 360 OPERATION BRANCHES

No.	Securities Branches	Address	Person In Charge	Note
1	Beijing Financial Street Securities Branch	Floor 3-4, No. 111 Taiping Bridge Avenue, Xicheng District, Beijing	Zhao Hongliang	
2	Beijing Fucheng Avenue Securities Branch	Floor 1, 3, 4, Yindu Building, No.67, Fucheng Avenue, Haidian District, Beijing	Ma Junming	
3	Beijing Zhongguancun Avenue Securities Branch	03-3D Tower D, Building 1-4, 18th Yard (A), Zhongguancun South Avenue, Haidian District, Beijing	Yang Yan	
4	Beijing Wangjing Securities Branch	Floor 2, 12 Futong East Avenue, Chaoyang District, Beijing	Zhao Zhiquan	
5	Beijing South Xueyuan Road Securities Branch	Floor 1-3, Building 2, 34 South Xueyuan Road, Haidian District, Beijing	Zhao Xinhua	
6	Beijing Sun Palace Securities Branch	No.9, Floor 2, No. 2, Floor 1, Building 11, Xijiaiyuan, Chaoyang District, Beijing	Ai Haifeng	
7	Beijing Guangqumen Avenue Securities Branch	Floor 7, 27 Guangqumen Avenue, Dongcheng District, Beijing	Dong Yingzhen	
8	Beijing Huangsi Avenue Securities Branch	Floor 1-2, Building 2, 21 Huangsi Avenue, Xicheng District, Beijing	Cao Yanxia	
9	Beijing Chaoyangmen North Avenue Securities Branch	Floor 6, Tower B, 5th Square, No.5, Changyangmen North Avenue, Dongcheng District, Beijing	Wang Xiaojing	
10	Beijing Taoran Qiao Securities Branch	Room 901-906, Floor 9. No.1 Majiabao Road, Dongcheng District, Beijing	Ding Zefu	
11	Beijing Jianguo Road Securities Branch	Room 308, Floor 3, Floor 1, North, Ruisai Building, 2 South Donghuan Road, Chaoyang District, Beijing	Song Yeshan	
12	Beijing Fangzhuang South Avenue Securities Branch	Room 103, 2 Fangzhuang South Avenue, Fengtai District, Beijing	Wu Di	
13	Beijing Xueqing Road Securities Branch	Room 701-702, 712-718, Floor 7, Jinma Hotel, No.38(A) Xueqing Road, Haidian District, Beijing	Yan Xiaolong	
14	Beijing Yizhuang Securities Branch	Room 103, 1/F, Building 1, 5th Yard, Ronghua Middle Road, Beijing Economic and 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	



No.	Securities Branches	Address	Person In Charge	Note
16	Beijing Tongzhou Jiukeshu Securities Branch	1/F and 2/F, No.100 Jiukeshu Street, Tongzhou District, Beijing	Xu Qiang	
17	Beijing Dawang Road Securities Branch	2303, 1/F and 2/F, Blocks 7-10, 88 Jianguo Road, Chaoyang District, Beijing, China	Liu Yang	Open in 2016
18	Tianjin Kaihua Road Securities Branch	Floor 1, Huake Entrepreneurship Center, 3 Kaihua Road, Huayuan Industrial Park, Binhai High-Tech Industry Development Zone	Zhong Jihong	
19	Tianjin Changjiang Road Securities Branch	2/F, Qingxin Building, 55-65 Changjiang Road, Nankai District, Tianjin	Chen Liansheng	
20	Tianjin Shengli Road Securities Branch	1-2-101, Ruihai Building, Northwest of intersection of Shengli Road and Jianguo Road, Hebei District, Tianjin	Qu Ligu	
21	Tianjin Sheng' an Avenue Securities Branch	No. 46 Shengan Avenue, Heping District, Tianjin	Peng Shoujun	
22	Qinhangdao Securities Branch	No. 181, Jianshe Avenue, Harbour District, Qinhangdao City, Hebei Province	Gu Xiaofeng	
23	Shijiazhuang Hongqi Street Securities Branch	No.98, Hongqi Street, Shijiazhuang City, Hebei Province	Jiao Wenli	
24	Shijiazhuang Shengli North Street Securities Branch	Floor 1 & 2, Futian Building, No.156 Shengli North Street, Shijiazhuang City, Hebei Province	Luo Feng	
25	Langfang Yinhe North Street Securities Branch	No.106, Yinhe North Street, Langfang City, Hebei Province	Li Fanghui	
26	Xingtai Qinghe Securities Branch	No. 17, Changjiang East Street, Qinghe County, Xingtai City, Hebei Province	Liu Wei	
27	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	
28	Baoding Qiyi Middle Road Securities Branch	No. 1 Commercial district, 1st Floor, No. 1955, Middle Qiyi Road, Jingxiu District, Baoding City, Hebei Province	Yan Mingyan	
29	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	



No.	Securities Branches	Address	Person In Charge	Note
30	Jinzhong Yingbin Street Securities Branch	No.135, Yingbin Street, Yuci district, Jinzhong City, Shanxi Province	Zhuan Huiqin	
31	Linfen Jiefang East Road Securities Branch	No.2, Jiefang East Road, Linfen City	Yang Shuangmin	
32	Taiyuan Yingze West Avenue Securities Branch	No.53, Yingze West Avenue, Taiyuan City, Shanxi Province	Zhao Songlin	
33	Taiyuan Taoyuan Securities Branch	No.16, Taoyuan North Avenue, Taiyuan City, Shanxi Province	Guo Jin	
34	Houma Kuaibin Street Securities Branch	No.7, Kuaibin Street, Houma City, Shanxi Province (former Zhong Hang Building)	Wang Quanrui	
35	Hongdong Chezhan Street Securities Branch	Chezhan Street, Hongdong County, Shanxi Province	Cui Jinhui	
36	Huozhou Kaiyuan Street Securities Branch	No.A3-6, Kaiyuanshengdian, Kaiyuan Street, Huozhou City, Shanxi Province	Guo Ming	
37	Taigu Kangyuan Road Securities Branch	No.2, Building 20, Huaxing community, Kangyuan Road, Taigu County, Jinzhong City, Shanxi Province	Zhao Junhua	
38	Qixian Xinjian North Road Securities Branch	No.179, Xinjian North Street, Qi County, Jinzhong City, Shanxi Province (The North side of Library)	Xue Hongbin	
39	Taiyuan Bingzhou South Avenue Securities Branch	No.1-2, 94 Qinxian North Avenue, Xiaodian District, Taiyuan City, Shanxi Province	Zhang Jianzhong	
40	Lingshi Xiaohe South Road Securities Branch	B2-04, Fenghuang Xincheng Shops, Xiaohe South Road, Lingshi County, Jinzhong, Shanxi Province	Zhou Xianglian	
41	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	Chen Honghua	
42	Jiexiu Zhenxing Street Securities Branch	The Adjacency of Yipinhuangniu, Zhenxing Street, Jiexiu City, Jinzhong City	Shi Jianhua	
43	Xiyang Xiacheng Street Securities Branch	Shop 24, Zhong Cheng Ya Ju, Xiacheng Street, Xiyang County, Jinzhong City, Shanxi Province	Wang Tao	



No.	Securities Branches	Address	Person In Charge	Note
44	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	
45	Xiaoyi Fuqian Street Securities Branch	Fuqian Street, Luliang Xiaoyi City, Shanxi Province (Shop 16, Xiang He Xin Yuan)	Fu Weihao	
46	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	
47	Baotou Wulan Road Securities Branch	No.6, 19 (A) Wulan Road, Kundulun District, Baotou City, Inner Mongolia Autonomous Region	Ren Wei	
48	Hohhot Xinhua East Street Securities Branch	No.78, Xinhua East Street, Saihan District, Hohhot City, Inner Mongolia Autonomous Region	He Jing	
49	Hohhot Daxue West Street Securities Branch	No.110, Daxue West Street, Hohhot City, Inner Mongolia Autonomous Region	Liu Xinyu	
50	Dalian Yan'an Road Securities Branch	No. 6, Yan'an Road, Zhongshan District, Dalian City	Wang Yansong	
51	Dalian Xinkai Road Securities Branch	Zhujiang International Building, 99 Xinkai Road, Xigang District, Dalian City	Wang Huibin	
52	Dalian Huanghe Road Securities Branch	Room B, C, D, Floor 5 of the Elevator, 620 Huanghe Road, Shahekou District, Dalian City	Guo Qing	
53	Dalian Renmin Road Securities Branch	Floor 3, Chengda Building, 71 Renmin Road, Zhongshan District, Dalian City	Zheng Yue	
54	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	
55	Shenyang Sanjing Street Securities Branch	1-3/F, No. 95, Sanjing Street, South of Shenhe District, Shenyang City	Wen Jiuyu	
56	Shenyang Jianshe East Road Securities Branch	Door 3, No. 76, Jianshe East Road, Tiexi District, Shenyang City	Xu Shan	



No.	Securities Branches	Address	Person In Charge	Note
57	Shenyang Dabeiguan Street Securities Branch	Floor 1-2, Unit 2, 40 Dabeiguan Street, Dadong District, Shenyang City, Liaoning Province	Wang Fu	
58	Shenyang Sanhao Street Securities Branch	No. 6, 7, 4A, Wenti Road, Heping District, Shenyang City	Liu Dayong	
59	Shenyang Beizhan Road Securities Branch	59 Beizhan Road, Shenhe District, Shenyang City, Liaoning Province	Hu Yingxin	
60	Liaoyang Laodong Street Securities Branch	No. 58, Laodong Street sub-district, Baita District, Liaoyang City, Liaoning Province	Tong Shengyong	
61	Shenyang Nan Shun Cheng Road Securities Branch	No. 56, Shuncheng Road, South of Shenhe District, Shenyang City	Chen Jinyan	
62	Shenyang Changbai West Road Securities Branch	No. 36, Changbai West Road, Heping District, Shenyang City (36A, Changbai West Road)	Li Bin	
63	Fuxin Xinhua Road Securities Branch	Door 74-15, Xinhua Road, Haizhou District, Fuxin City	Liang Xiaogang	
64	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	
65	Changchun Renmin Street Securities Branch	No. 8688, Renmin Street, Nanguan District, Changchun, Jilin Province	Yan Xiaomin	
66	Changchun West Minzhu Street Securities Branch	No.1161, Chaoyang West Minzhu Street, Changchun City, Jilin Province	Zhao Yubo	
67	Jilin Chongqing Street Securities Branch*	Outlet No. 033, Jilin Wealth Plaza, No. 1367 Chongqing Road, Changyi District, Jilin City	Wang Huanyu	
68	Harbin Zhongshan Road Securities Branch	No. 252, Zhongshan Road, Nangang District, Harbin City	Li Naichen	
69	Harbin West Tenth Street Securities Branch	No.19, West Tenth Street, Daoli District, Harbin City	Wang Ting	
70	Daqing Dongfeng Road Securities Branch	No. 80, Dongfeng Road, No. F-4 Shangfu Building, Hanchengmingyuan, Longfeng District, Daqing City	Sun Lixin	
71	Jiamusi Baowei Road Securities Branch	No. 98, Baowei Road, Qianjin District	Zhang Bin	



No.	Securities Branches	Address	Person In Charge	Note
72	Shanghai East Baoxing Road Securities Branch	Floor 12,13, 118 East Baoxing Road, Hongkou District, Shanghai	Liang Chunliang	
73	Shanghai Pudong New Area Bohua Road Securities Branch	2/F of 388, 390, 392, 2/F of 412, 2/F of 416, 2/F of 420, 2/F of 424, 2/F of 428 and 2/F of 432, 388-392 Bohua Road, Pudong New Area, Shanghai	Huang Gang	
74	Shanghai Wulian Road Securities Branch	No. 11, Wulian Road, Pudong New District, Shanghai	Zhang Xuehong	
75	Shanghai Hongjing Road Securities Branch	Room 202, 185 Hongjing Road, Shanghai	Dai Linlong	
76	Shanghai Anye Road Securities Branch	No.124, Anye Road, Shanghai	Song Weiyan	
77	Shanghai Zhongyuan Road Securities Branch	No.188, Zhongyuan Road, Shanghai	Liu Dong	
78	Shanghai Caobao Road Securities Branch	Floor 9, No. 3459, Caobao Road, Minhang District, Shanghai	Li Xinliang	
79	Shanghai Yangpu Jingyu East Road Securities Branch	Room 101, Room 201, No. 265 Jingyu East Road, Yangpu District, Shanghai	Wang Yisheng	
80	Shanghai Shangnan Road Securities Branch	No. 1316, Shangnan Road, Pudong New District, Shanghai	Cheng Xiaoqi	
81	Shanghai Changning District Zhenning Road Securities Branch	Room 202, 2/F, No. 525 Zhenning Road, Changning District, Shanghai	Li Gequan	
82	Shanghai East Daming Road Bund Securities Branch	Room A, Floor 2, 912 East Daming Road, Hongkou District, Shanghai	Chen Jianguang	
83	Shanghai Gongkang Road Securities Branch	No. 328, Gongkang Road, Baoshan District, Shanghai	Jiao HongYan	
84	Shanghai Dalian West Road Securities Branch	No. 555-557, Dalian West Road, Shanghai	Li Xue	
85	Shanghai Zhongshan North Road Securities Branch	Room 401-406, 408-412, 2917 Zhongshan North Road, Putuo District, Shanghai	Li Junyan	
86	Shanghai Pudong New District Yuanshen Road Securities Branch	15/F, No. 92 Yuanshen Road, China (Shanghai) Pilot Free Trade Zone	Hua Yafeng	
87	Shanghai Zhaojiabang Road Securities Branch	Floor 2(B), 3, 186 Zhaojiabang Road, Shanghai	Shen Jianming	
88	Shanghai Yichuan Road Securities Branch	Floor 1, 2, 833 Yichuan Road, Shanghai	Huang Xuqing	



No.	Securities Branches	Address	Person In Charge	Note
89	Shanghai Hengfeng Road Securities Branch	Room 201-1, Floor 2, 218 Hengfeng Road, Shanghai	Yu Lili	
90	Shanghai Dongfang Road Securities Branch	Floor 8, 989 Dongfang Road, Pudong New District, Shanghai	Ma Lin	
91	Shanghai Pudong South Road Securities Branch	Floor 1 & 15, World Square, 855 Pudong South Road, Shanghai	Chen Aiping	
92	Shanghai Renmin Road Securities Branch	Floor 3, 757 Renmin Road, Huangpu Town, Shanghai	Qiu Peng	
93	Shanghai Xinyu Road Securities Branch	No. 205, Xinyu Road, Jiading District, Shanghai	Pan Yuhua	
94	Shanghai Xinchang Road Securities Branch	Floor 2, 6, North, No.518, Xinchang Road, Huangpu Town, Shanghai	Yang Bin	
95	Shanghai Putuo District Changde Road Securities Branch	Unit 102, 1/F, 1339 Changde Road, Putuo District Shanghai	Shen Wenjie	
96	Shanghai Pilot Free Trade Zone Jilong Road Securities Branch	Room 1112, 1115, No. 6 Jilong Road, China (Shanghai) Pilot Free Trade Zone	Yu Meng	
97	Shanghai Yangpu District Songhu Road Securities Branch	Room 201, No. 433, Songhu Road, Yangpu District, Shanghai City	Li Yajun	
98	Shanghai Sibao Road Securities Branch	Floor 1-2, No. 50, Sibao Road, Sijing Town, Songjiang District, Shanghai City	Xu Yongwei	
99	Shanghai Jingang Road Securities Branch	Room 1110-1111, 11/F, No. 299, Jingang Road, China (Shanghai) Pilot Free Trade Zone	Zheng Chifei	
100	Shanghai Pudong New District Jingao Road Securities Branch	Room 108, No. 945, Jingao Road, Pudong New District, Shanghai	Huang Lei	
101	Shanghai Baoshan District Luxiang Road Securities Branch	Room 101, 1/F, No. 2 Alley 111, Luxiang Road, Baoshan District, Shanghai	Zhu Yue Wei	
102	Shanghai Putuo District Zhongjiang Road Securities Branch	1/F, No. 20 Alley 118, Zhongjiang Road, Putuo District, Shanghai	Zhou Qun	
103	Shanghai Qingpu District Mingzhu Road Securities Branch	Room 106, No. 838 Mingzhu Road, Qingpu District, Shanghai	Zhang Huanlai	
104	Shanghai Minhang District Chenxing Road Securities Branch	Room 218, 2/F, Block 1, No. 2388 Chenxing Road, Minhang District, Shanghai	Jin Qibao	



No.	Securities Branches	Address	Person In Charge	Note
105	Nanjing Hongwu Road Securities Branch	Room 104, Room 203-207, Floor 2, Room 304-307, Floor 3, No. 359 Hongwu Road, Qinhuai District, Nanjing City, Jiangsu Province	Zhang Jun	
106	Nanjing Shanghai Road Securities Branch	No.145, Shanghai Road, Gulou District, Nanjing City, Jiangsu Province	Cao Anming	
107	Nanjing Nanrui Road Securities Branch	Building 19, Wuyueyiyuan, 79 Nanrui Road, Gulou District, Nanjing City, Jiangsu Province	Ju Min	
108	Nanjing Jiangdong Middle Road Securities Branch	Room 301, No. 201, Room 301, No. 203, Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu Province	Zhuang Haijun	
109	Yangzhou Wenchang Middle Road Securities Branch	No. 561, Wenchang Middle Road, Yangzhou City, Jiangsu Province	Ji Chunlei	
110	Suzhou Sanxiang Road Securities Branch	No. 718, Sanxiang Road, Suzhou City, Jiangsu Province	Qian Chun	
111	Nantong Gongnong Road Securities Branch	Room 107, Jintang Building, No. 198 Gongnong Road, Nantong City,	Wang Wei	
112	Nanjing Longpan Middle Road Securities Branch	Floor 2, Jincheng Technology Building, 216 Longpan Middle Road, Baixia District, Nanjing City, Jiangsu Province	Hu Kaitao	
113	Jiangyin Hongqiao North Road Securities Branch	No. 183-185, Hongqiao North Road, Jiangyin City	Chen Zheng	
114	Yancheng Yingbin South Road Securities Branch	Room 102, Block 7, Northern District, Qianjiang Fangzhou Community, No. 126 Yingbin South Road, Yancheng City	Gao Lili	
115	Zhenjiang Huangshan South Road Securities Branch	Floor 11, 20 Huangshan South Road, Zhenjiang City, Jiangsu Province	Zhong Sheng	
116	Wuxi Liangxi Road Securities Branch	Zone A, 1/F, 708 Liangxi Road, Wuxi	Liu Zhongxi	
117	Lianyungang Tongguan South Road Securities Branch	109, Jianyuanguanzhu Building, No. 102, Tongguan South Road, Haizhou District, Lianyungang City	Luo Fei	
118	Changzhou North Street Securities Branch	No. 8-1, Yulong Garden, Zhonglou District, Changzhou City	Zhang Yu	
119	Nanjing Jiangning Zhushan Road Securities Branch	No. 136, Zhushan Road, Jiangning District, Nanjing City	Yang Weixue	



No.	Securities Branches	Address	Person In Charge	Note
120	Nanjing Gaochun Baota Road Securities Branch	No.117, Baota Road, Chunxi Town, Gaochun District, Nanjing City, Jiangsu Province	Li Qingfeng	
121	Rugao Jiankang Road Securities Branch	Business Room, No. 4, Block 809, Jiankang East Village, Rucheng Town	Gu Jinjim	
122	Zhangjiagang East Rig Road Securities Branch	No. 7,9, East Rig Road, Yangshe Town, Zhangjiagang City	Zhu Kechun	
123	Changshu Haiyu North Road Securities Branch	A-108, Hua Fu Shi Jia, No. 5 Hai Yu North Road, Changshu City, Jiangsu Province	Wang Fuxing	
124	Shaoxing Securities Branch	No.146, Luxun Middle Road, Shaoxing City, Zhejiang Province	Xi Meijiao	
125	Jinhua Securities Branch	No. 393, Bayi South Road, Jinhua city, Zhejiang Province	Zhong Xiaojun	
126	Wenzhou Danan Street Securities Branch	No. 201, 2nd Floor, Huadu Building, Danan Road, Lucheng District, Wenzhou city, Zhejiang Province	Peng Jie	
127	Taizhou Youdian Street Securities Branch	No.109-125, Youdian Road, Luqiao District, Taizhou City, Zhejiang Province	Yu Wei	
128	Huzhou Securities Branch	No.128, Hongqi Road, Huzhou City, Zhejiang Province	Lou Daxin	
129	Hangzhou Genshan West Road Securities Branch	Floor 1, 7-8, 220 Genshan West Road, Hangzhou City, Zhejiang Province	Wang Yueqian	
130	Deqing Securities Branch	No. 251, Zhongxing South Road, Wukang County, Deqing Town, Zhejiang Province	Wu Tao	
131	Lanxi Sanjiang Street Securities Branch	No. 73, Sanjiang Road, Lanxi city, Zhejiang Province	Ni Zhifang	
132	Lishui Securities Branch	No. 375, Dayang Road, Lishui city, Zhejiang Province	Xie Jianhong	
133	Hangzhou Qingchun Road Securities Branch	No. 38-1, Qingchun Road, Hangzhou City	Shen Qun	
134	Jiaxing Securities Branch	No. 705, Qinjian Road, Jiaxing City, Zhejiang Province	Yang Jianmin	
135	Hangzhou Stadium Road Securities Branch	Floor 1, 3, 4, 102 Stadium Road, Hangzhou City	Chen Chuang	



No.	Securities Branches	Address	Person In Charge	Note
136	Hangzhou Shaoxing Road Securities Branch	Room 216-217, 303 Shaoxing Road, Hangzhou City	ZhuGuowei	
137	Cangnan Station Avenue Securities Branch	Rom 201, Block 6, Shidai Dushi Plaza, Lingxi Town Station Avenue, Cangnan County, Wenzhou City	Lin Guanshu	
138	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	
139	Hangzhou Xintang Road Securities Branch	No. 13, Xintang Road, Hangzhou City, Zhejiang Province	Hu Jun	
140	Jiande Xin'an Road Securities Branch	No.193, Xin'an Road, Xin'anjiang Street, Jiande City, Zhejiang Province	Wu Hao	
141	Qingtian Yongjin Street Securities Branch	No. 1, No. 2, Yongjin Road, Qingtian County, Lishui city, Zhejiang Province	Yu Haigen	
142	Zhuchang North Street Securities Branch	No.1, North Road, Miaogao town, Zhuchang county, Zhejiang Province	Qiu Suhua	
143	Huzhou Shiyuan Road Securities Branch	No. 883-885, Shiyuan Road, Nanxun County, Huzhou City, Zhejiang Province	Jin Huan	
144	Longquan Hualou Street Securities Branch	No. 268, Hualou Street, Longquan city, Zhejiang Province	Yang Ye	
145	Hangzhou Gudun Road Securities Branch	Room 401, Unit 3, Building 1, Yuyingfang, Qinqinjiayuan, Sandun county, Hangzhou City, Zhejiang Province	Sun Zhuo	
146	Yiwu Chouzhou North Street Securities Branch	Floor 2-4, No. 661 and No. 663, Floor 1, No. 663, Chouzhou, North Road, Yiwu City, Zhejiang Province	Xu Shuming	
147	Qingyuan Mengzhou Street Securities Branch	Shop 6, Block 7, Mengzhou Huayuan, 209 Mengzhou Street, Qingyuan County, Zhejiang Province	Zhang Yong	
148	Changxing County Qianxi Road Securities Branch	The 1st and 3rd Floor, No. 207, 209 and 211, Qianxi Road, Zhicheng Town, Changxing County	Yu Zhiwei	
149	Pinghu Jiefang West Street Securities Branch	The 1st and 2nd Floor, No. 62, Jiefang West Road, Danghu Street, Pinghu city, Zhejiang Province	Sun Hangping	



No.	Securities Branches	Address	Person In Charge	Note
150	Hangzhou Yuhang Qiushan Street Securities Branch	No. 626, Qiushan Street, Donghu Road, Yuhang District, Hangzhou City	Chen Lijun	
151	Shangyu Wangchong Road Securities Branch	Room 401, Room 402, Jincheng Building, No. 67-71, Decheng Road, Baiguan Street, Shangyu District, Shaoxing City	Gong Xiaojun	
152	Quzhou Hehua Middle Street Securities Branch	The 3rd Floor, No. 50, Hehua Middle Road, Quzhou City, Zhejiang Province	Xu Shenglin	
153	Tonglu Yingchun South Road Securities Branch	80, 82, Yingchun South Road, Tonglu County	Chen Jiechao	
154	Wenzhou Jinxiu Street Securities Branch	Room 104, Building 1, Ruikang Business Building, Jinxiu Road, Wenzhou City	Jin Fan	
155	Shaoxing Jinkeqiao Avenue Securities Branch	No. 248, 250, Jinkeqiao Avenue, Keqiao Street, Keqiao District, Shaoxing City	Xu Jianguo	
156	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	
157	Linhai Duqiao Xiazhu Road Securities Branch	No. 16, Xiazhu Road, Duqiao Town, Linhai City	Ren Liqing	
158	Taizhou Yinquan Road Securities Branch	No. 188, Yinquan Road, Nanyuan Community, Xicheng Street, Huangyan District, Taizhou City	Hu Yue	
159	Taizhou Donghai Avenue Securities Branch	No. 680 & 682, Donghai Avenue, Taizhou City	Huang Li	
160	Hangzhou Jiangbin West Avenue Securities Branch	16-1 to 16-2, Jiangbin West Avenue, Fuchun Street, Fuyang District, Hangzhou	Yu Heguo	
161	Zhoushan Qiandao Road Securities Branch	1/F, Block A, Jianshe Building, No. 167 Qiandao Road, Lincheng Streets, Dinghai District, Zhoushan	Zhu Haijie	
162	Chun' an Xinan Avenue Securities Branch	Floor 1, No. 49, Xinan Avenue, Qiandaohu Town, Chunan County	Xu Xinri	
163	Ningbo Jiefang South Street Securities Branch	No.15, Jiefang South Road, Haishu District, Ningbo city, Zhejiang Province	Wang Yunguo	
164	Ningbo Daqing South Street Securities Branch	No. 6, Daqing South Road, Jiangbei District, Ningbo city	Zhou Hongliang	



No.	Securities Branches	Address	Person In Charge	Note
165	Ningbo Cuibai Street Securities Branch	No. 416, Cuibai Road, Jiangbei District, Ningbo city	Liu Bo	
166	Ningbo Dashani Street Securities Branch	Building Fumao, No. 88, Dashani Road, Haishu District, Ningbo City, Zhejiang Province	Jiang Dongdong	
167	Ningbo Daxie Xinchuang Road Securities Branch	61 Xinchuang Road, Daxie Development Zone, Ningbo	Liu Hengyi	
168	Ningbo Baizhang East Road Securities Branch	899, Baizhang East Road, Ningbo	Feng Yi	
169	Yuyao Nanlei Road Securities Branch	No. 1, Shinan East Road, Yuyao City	Xu Yan	
170	Ningbo Ningnan North Road Securities Branch	No. 1049 Ningnan North Road, Zhonggong Temple Street, Yinzhou District, Ningbo City	Lin Changshan	
171	Fenghua Yuelin Road Securities Branch	No. 1-1, 1-2, Yuelin Road, Jinpin Street, Fenghua City	Ye Luozi	
172	Ma'anshan Hudong Central Road Securities Branch	Block 2, Jufengyuan, 777 Hudong Central Road, Huashan District, Ma'anshan	Wang Gongman	
173	Hefei Changjiang Middle Street Securities Branch	No. 57, Changjiang Middle Road, Hefei City, Anhui Province	Tao Fei	
174	Hefei Tunxi Street Securities Branch	Fuguang Building, No. 239, Tunxi Road, Baohe District, Hefei City, Anhui Province	Cheng Lesan	
175	Hefei Jincheng Securities Branch	No. 419, Changjiang Middle Road, Luyang District, Hefei City, Anhui Province	Lu Weizhe	
176	Huangshan Xinyuan East Road Securities Branch	No. 198, Xinyuan East Road, Tunxi District, Huangshan City, Anhui Province	Lu Wenbin	
177	Hefei Qimen Street Securities Branch	No. 1569, Qimen Road, Zhengwu New Street, Hefei City, Anhui Province	Kong Jun	
178	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	
179	Wuhu Limin West Street Securities Branch	Taixin Business Center (Huarun Sugu Limin Shopping Mall), Yijiang District, Wuhu city, Anhui Province	Gao Xuemin	



No.	Securities Branches	Address	Person In Charge	Note
180	Huainan Guangchang Road Securities Branch	Shop No. 116, 215, 216, Lucheng Garden, Plaza Road, Tianjiaan District, Huainan City, Anhui Province	Wang Tao	
181	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	
182	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 Qing	
183	Fuzhou Yeshan Road Securities Branch	Floor 4, Zonghe Building, No. 105 Yeshan Road, Gulou District, Fuzhou City, Fujian Province	Zheng Yong	
184	Fuzhou Dongshui Street Securities Branch	The 2nd to 3rd Floor, No. 55, Design Building Dongshui Road, Gulou District, Fuzhou City	Zheng Qingyu	
185	Zhangzhou Shuixian Street Securities Branch	Room D3, Building D-E, Rongchang Square, Rongchang Garden, Shuixian Street, Longwen District, Zhangzhou City, Fujian Province	Lei Jintao	
186	Putian Licheng Road Securities Branch	Storefront 6, Floor 1, Block A, Jiaotong Garden, Licheng Road, Longbanlongqiaoju Committee, Chengxiang District, Putian City, Fujian Province	Lin Yunbing	
187	Fuqing Wanda Palaza Securities Branch	Duplex shop 06, Floors 1 & 2, No. B3-B6, B9-B13, Fuqing Wanda Palaza, Yinxi Street, Fuqing City, Fuzhou City, Fujian Province	Chen Feng	
188	Quanzhou Nanjun Road Securities Branch	No. C4-19, Nanjun North Road, Licheng District, Quanzhou City, Fujian Province	Wu Liangkai	
189	Sanming Liedong Street Securities Branch	Shop 6,7,8, 1/F, Block 362, Gan Long New Village, Meilie District, Sanming City	Li Lihua	
190	Xiamen Meihu Street Securities Branch	No. 75-87, Meihu Road, Xiamen city	Zhou Lianyuan	
191	Xiamen Jiahe Street Securities Branch	The 5th Floor, Block C New Jingyuan Center, No. 25, Jiahe Road, Siming District, Xiamen city	Zeng Wenqing	



No.	Securities Branches	Address	Person In Charge	Note
192	Xiamen Huyuan Street Securities Branch	The 1-3 Floor, No. 6, Huyuan Road, Xiamen City	Ding Fuyun	
193	Xiamen Tongan Xiangping Securities Branch	Block 6, No. 72, Xiqiao Road, Xiangping Street, Tongan District, Xiamen City	Wei Xiangfei	
194	Nanchang Square East Street Securities Branch	No. 203, Square East Road, Nanchang City, Jiangxi Province	Yu Genping	
195	Nanchang Yanjiang Middle Street Securities Branch	Floor 3, Huacai Building, No. 019, Yanjiang Middle Road, Nanchang City, Jiangxi Province	Shuang Nianqun	
196	Ganzhou Kejia Street Securities Branch	No.11, Kejia Street, Zhanggong District, Ganzhou City, Jiangxi Province	Li Zhixue	
197	Shangrao Daihu Road Securities Branch	No.1-1, Block 2, No. 50 Daihu Road, Xinzhou District, Shangrao City, Jiangxi Province	Wang Jianhong	
198	Yudu Lianxi Road Securities Branch	12-1#109, Xuefu Commercial Street, Lianxi Road, Gongjiang Town, Yudu County	Zhu Yong	
199	Nanchang Honguzhong Avenue Securities Branch	Room 105, Storefront, Block 2, District 1, Wan Da Xing Cheng Phase 3, Honggutan New District, Nanchang City, Jiangxi Province	Xu Hong	
200	Qingdao Nanjing Road Securities Branch	No.100E, Nanjing Road, Shinan District, Qingdao City	Liu Xiaoyong	
201	Qingdao Hong Kong West Road Securities Branch	No. 22, Xianggang West Road, Shinan District, Qingdao City	Jia Kaizhou	
202	Qingdao Qinling Road Securities Branch	No. 107, Tower House, Haiyun Dongfang Building, No. 15, Qinling Road, Laoshan District, Qingdao City, Shandong Province	Wang Xingdong	
203	Qingdao Development Zone Securities Branch	No. 509-18, Lijiang East Road, Qingdao Economic and Technological Development Zone	Zou Haimiao	
204	Yantai Securities Branch	No.175, Xinanhe Road, Yantai City, Shandong Province	Zhang Huasheng	
205	Jinan Jingqi Street Securities Branch	No. 83, Jingqi Road, Jinan City, Shandong Province	Wu Yunpeng	
206	Zibo Linzi Street Securities Branch	No. 698, Linzi Street, Linzi District, Zibo City Shandong Province	Wu Tao	



No.	Securities Branches	Address	Person In Charge	Note
207	Weifang Fushou West Securities Branch	No. 83, Fuzhou West Road, Weicheng District City, Weifang City, Shandong Province	Zhong Jian	
208	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	
209	Weihai Tongyi Road Securities Branch	No. 29-47, 49, Tongyi Road, Weihai City	Shao Renhang	
210	Dongying Fuqian Avenue Securities Branch	No. 84 Fuqian Avenue, Dongying District	Che Xiaoyu	
211	Rizhao Weihai Road Securities Branch	No. 102, 01 Unit, Block 1AB, B District, Xinyinghuafu, Weihai Road, Donggang District, Rizhao City, Shandong Province	Xing Lin	
212	Liaocheng Dongchang West Road Securities Branch	21 Dongchang West Road, Liaocheng	Wang Yongmei	Open in 2016
213	Jining Guanghe Road Securities Branch	Yinhe Building, No. 18 Guanghe Road, Jining City	Du Zhaohui	
214	Zhengzhou Nanyang Street Securities Branch	Attached No. 11, No. 301, Nanyang Road, Zhengzhou City, Henan Province	Zhang Qingjun	
215	Zhengzhou Longhai Street Securities Branch	Floor 4, No. 59, Longhai Road, Zhengzhou City, Henan Province	Yang Mujun	
216	Zhengzhou Jiankang Street Securities Branch	No.168, Jiankang Road, Zhengzhou City, Henan Province	Mao Guoxing	
217	Zhengzhou Shanhe Securities Branch	No. 39, Weiwu Road, Jinshui District, Zhengzhou City, Henan Province	Ma Chaoqun	
218	Zhengzhou Jingsan Street Securities Branch	No. 85, Jingsan North Road, Zhengzhou City, Henan Province	Wang Junzhao	
219	Xuchang Xuji Avenue Securities Branch	No. 589, Xuji Avenue, Weidu District, Xuchang City	Pan Haixia	
220	Xinxiang Youyi Road Securities Branch	Room 107, 1-2/F, Building 28, 103 Factory Residential Community, No. 1 Youyi Road, Xinxiang City	Wang Qingfeng	
221	Luoyang Jingyuan Road Securities Branch	108, Block 1, No. 99 Jingyuan Road, Xigong District, Luoyang City	Li Yang	



No.	Securities Branches	Address	Person In Charge	Note
222	Wuhan Aomen Street Securities Branch	No.123, Aomen Road, Jiangnan District, Wuhan City, Hubei Province	Zhao Baohe	
223	Xiangyang Securities Branch	No. 31, Daiqing West Road, Fancheng District, Xiangyang City, Hubei Province	Yu Rongyan	
224	Yichang New Century Securities Branch	No. 21, Yunji Road, Yichang City, Hubei Province	Gong Aiming	
225	Wuhan Zhongnan Road Securities Branch	No.456 (New Era Business Center), Wuluo Road, Zhongnan Road, Wuchang District, Wuhan City, Hubei Province	Zhang Zhiqiang	
226	Wuhan Wuluo Street Securities Branch	No. 382, Wuluo Road, Wuhan City, Hubei Province	Zuo Gang	
227	Wuhan Hanyang Securities Branch	No. 155, Hanyang Yingwu Street, Wuhan City, Hubei Province	Hu Junlin	
228	Jingmen Securities Branch	No.118, Xiangshan Street, Jingmen City, Hubei Province	Wang Wei	
229	Wuhan Xinhua Road Securities Branch	IFC, No. 296, Xinhua Road, Jiangnan District, Wuhan City	LV Gang	
230	Wuhan Hanyang Street Securities Branch	Floor 2, Jinlong Garden No. 11, No. 642, Hanyang Street, Wuhan City	Dong Lintao	
231	Wuhan Jiyuqiao Securities Branch	Yuqiao New Building, No. 6 and 7 Annex Building, Jiyuqiao, Wuchang District, Wuhan City, Hubei Province	Zhang Qing	
232	Wuhan Zhuankou Ningkang Street Securities Branch	No. 262-267, Shenlong Commercial Street, No. 69 Ningkang Road, Wuhan Economical and technical development Zone, Hubei City	Dai Dongchen	
233	Zaoyang Xiangyang Street Securities Branch	No.16, Xiangyang Road, Zaoyang city, Hubei Province	Yuan Guanghui	
234	Shayang Hanjin Street Securities Branch	No. 53, Hanjin Road, Shayang County, Hubei Province	Ye Jun	
235	Wuhan Guanggu Securities Branch	No. 1077, Luoyu Road, Hongshan District, Wuhan City	Shen Bin	
236	Zhongshan Securities Branch	No. 52, Sunwendong East Road, Shiqi District, Zhongshan City, Guangdong Province	Ruan Lianghui	



No.	Securities Branches	Address	Person In Charge	Note
237	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	Shi Nan	
238	Foshan Shunde Daliang Securities Branch	Zone A, Floor 4, Xindeye Business Center, Jincheng Garden, No. 11 Dongle Road, Yun Road, Shunde District, Foshan City	Tian Dongmei	
239	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	
240	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	
241	Guangzhou Zhongshan 2nd Street Securities Branch	O Unit 1/F and 203-213 Unit 2/F, Dianxin Square, No. 18, Zhoangshan 2nd Road, Yuexiu District, Guangzhou City, Guangdong Province	Pan Xiang	
242	Foshan Securities Branch	No. 2, Renmin West Road, Shancheng District, Foshan City, Guangdong Province	Wu Hui	
243	Shantou Jinsha Road Securities Branch	Floor 10, No. 97, Jinsha Road, Shantou City, Guangdong Province	Huang Shaoyong	
244	Shantou Songshan Road Securities Branch	No. 89, Songshan Road, Shantou, Guangdong Province	Wu Hong	
245	Shantou Chenghai Securities Branch	Floors 1 to 4, Jingtai Plaza, Block C21, Hujing Garden, Chenghai District, Shantou City	Chen Chengtong	
246	Dongguan Dongcheng Central Road Securities Branch	701 and 702, Junhao Business Centre, Dongcheng Central Road, Gangbei, Dongcheng Street, Dongguan, Guangdong Province	Zeng Jun	
247	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	



No.	Securities Branches	Address	Person In Charge	Note
248	Guangzhou Huanshi East Road Securities Branch	No. 336, 3/F, Huanshi East Road, Yuexiu District, Guangzhou City	Xu Bier	
249	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	
250	Guangzhou Huaxia Road Securities Branch	Units 02-04A (self-made number), 24/F, Yajule Centre, 26 Huaxia Road, Tianhe District, Guangzhou	Rao Jie	
251	Shantou Hanjiang Street Securities Branch	No.1, Hanjiang Road, Shantou City, Guangdong Province	Lan Jiekai	
252	Zhongshan Xiaolan Zijin East Road Securities Branch	B Unit, 2/F, No. 70 Xiaolan Zijin East Road, Zhongshan City, Guangdong Province	Wei Ye Shaowen	
253	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	
254	Foshan Shunde Lecong Securities Branch	The 2nd to 4th Floor, Xinfeng Building, No. B33, Yuejin Road, Lecong Town, Shunde District, Foshan City, Guangdong Province	Qi Xixia	
255	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	
256	Shantou Chaoyang Securities Branch	No. 36, Dongshan Street, Chaoyang District, Shantou City, Guangdong Province	Cai Baodong	
257	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	
258	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	



No.	Securities Branches	Address	Person In Charge	Note
259	Huizhou Wenming 1st Street Securities Branch	908-912 Unit, Floor 9, Fushen Building, No. 9, Jiangbei Wenming Road, Huicheng District, Huizhou City	Dong Xinxing	
260	Guangzhou Guangzhou Avenue Central Securities Branch	Room 2502, North Tower, No. 988 Guangzhou Avenue Central, Tianhe District, Guangzhou City (For office only)	Wang Anyuan	
261	Guangzhou Panyu South Street Securities Branch	No. 65, 301 and 302, South Road, Panyu District, Guangzhou City, Guangzhou Province	Liang Jian	
262	Guangzhou Yuejiang Central Road Securities Branch	Room 106, No. 686, Yuejiang Central Road, Haizhu District, Guangzhou City	Cheng Shixuan	
263	Guangzhou Qingyi Street Securities Branch	Room 101, No. 1 Qingyi Street, Tianhe District, Guangzhou City	Cao Wuquan	
264	Guangzhou Airport Road Securities Branch	Room 106A, No. 585 Airport Road, Baiyun District, Guangzhou City (For office only)	Dong Siyi	
265	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	
266	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	
267	Jiangmen Donghai Street Securities Branch	Room 501 (Self-numbered: B510-B513, C502-C503), No. 48, Donghai Road, Jianghai East District, Jiangmen City, Guangdong Province	Yang Jie	
268	Qingyuan Lianjiang Road Securities Branch	Cart 9, 10, 4/F, No.13 Commercial Building, Xincheng East Second District, Qingyuan City	Cai Yanfen	
269	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	
270	Guangzhou Fangcun Avenue West Securities Branch	1/F, 2/F, No. 295 Fangcun Avenue West, Liwan District, Guangzhou City	Deng Qingcong	
271	Meizhou Yanjiang West Road Securities Branch	No. 32, Yanjiang West Road, Meizhou City, Guangzhou Province	Li Zhenxin	



No.	Securities Branches	Address	Person In Charge	Note
272	Chaozhou Chaofeng Road Securities Branch	Shop 03, 1/F, Chen Zhongming Tower, South of Middle Chaofeng Road, Chaozhou City, Guangdong Province	Chen Zhihua	
273	Guangzhou Dasha East Road Securities Branch	Shops 101 and 102, 205 Dasha East Road, Huangpu District, Guangzhou	Yang Haiyan	
274	Guangzhou Zencheng Licheng Street Securities Branch	Room 1001, No. 20, Minle Road, Licheng Street, Zencheng, Guangzhou City	Wen Bin	
275	Guangzhou Binjiang East Road Securities Branch	Room 101, No. 554-3, Binjiangdong Road, Haizhu District, Guangzhou City	Chen Xiongwen	
276	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	
277	Zhanjiang Lianjiang Huanshi North Road Securities Branch	No. 66, Lianjiang Huanshi North Road, Zhanjiang City, Guangdong Province	Luo Yufeng	
278	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	
279	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)	Zhuang Qing	
280	Zhanjiang Renmin Avenue Central Securities Branch	Shop 05, 1/F, Chengshi Shangpin Building, 40 Renmin Avenue Central, Zhanjiang Development Zone	Qiu Meiyang	
281	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	Guan Shaoxia	
282	Foshan Nanzhuang Dijing North Road Securities Branch	P1, 1/F, District 3, No. 16 Dijing North Road, Shichian Town, Foshan City	Liang Yusheng	
283	Zhongshan Cuiling Road Securities Branch	Cart 17, 2/F, Block 1, Tian Qing Hui Fu, No. 2 Cuiling Road, Huoju Development Zone, Zhongshan City	Chen Hao	
284	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	



No.	Securities Branches	Address	Person In Charge	Note
285	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	
286	Zhongshan Sanxiang Jingguan Avenue Securities Branch	Cart 48, Jing Guan Hao Ting, No. 2 Jingguan Avenue, Sanxiang Town, Zhongshan City	Ning Shaojun	
287	Foshan Nanhai Guangyun Road Securities Branch	Shop 32, 1/F, Yong Jing Court, Jiayi Garden, Guangyun Road, Dali Town, Nanhai District, Foshan City	Wu Riwen	
288	Changsha Jiefang Middle Road Securities Branch	5/F, Huaqiao Building, No. 18 Jiefang Central Road, Furong District, Changsha City	Zhang Xianghong	
289	Changsha Furong Middle Street Securities Branch	No. 275, 2nd of Furong Middle Road, Changsha City, Hunan Province	Deng Likang	
290	Loudi Yuetang Street Securities Branch	3rd Floor, Building E, Anshi Group, Anshi Square, Yuetang Street, Louxing District, Loudi City, Hunan Province	He Boyuan	
291	Zhuzhou Tianyuan Huangshan Road Securities Branch	Room 207, 107, Block 6, Hua Chen Yu Yuan, Huangshan Road, Tianyuan District, Zhuzhou City	Qu Yiping	
292	Xiangtan Furong Central Road Securities Branch	No. 0101004 Zhongyi International, No. 52 Furong Central Road, Baota Streets, Yuetang District, Xiangtan City	Feng Jun	
293	Shenzhen Shennan Avenue Securities Branch	Unit 1701-01, Block A, Jingji 100 Building, No. 5016 Shennan East Road, Luohu District, Shenzhen City	Han Qi	
294	Shenzhen Jingtian Securities Branch	2/F, Saigejingyuan Building, 17 West Jingtian Road, Futian District, Shenzhen City	Lin Yibin	
295	Shenzhen Haide 3rd Avenue Securities Branch	Unit 2908-2912, 29th Floor, West Hai'an Building, Haide 3rd Road, Nanshan District, Shenzhen City	Gong Dejun	
296	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	



No.	Securities Branches	Address	Person In Charge	Note
297	Shenzhen Fuhua First Road Securities Branch	2701, 2713-2720, 27/F, Zhongxin Business Building, 88 Fuhua 1st Road, Futian District, Shenzhen City	Hu Xuemei	
298	Shenzhen Xianglin Road Securities Branch	701, 702, 703, 705, 706, Fuchun Oriental Building, Xianglin Road, Futian District, Shenzhen City	Wang Kun	
299	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	
300	Shenzhen Yinhu Road Securities Branch	East Wing, Floor 2, Yinhu Restaurant, No. 38, Yinhu Road, Qingshuihe Street, Luohu District, Shenzhen	Chen Xinghua	
301	Shenzhen Fuyong Avenue Securities Branch	Floor 4, Zhengfeng Building, No.7, Fuyong Avenue, Fuyong Street, Bao'an District, Shenzhen	Dai Hui	
302	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	
303	Shenzhen Longhua Securities Branch	305 and 306, Henghe International Building, Donghuan 1st Road, Longhua Street, Longhua New District, Shenzhen	Yin Xinmin	
304	Shenzhen Pingshan Kengzi Xinfu Street Securities Branch	302, No. 36 Xinfu Street, Kengzi Office, Pingshan New District, Shenzhen City	Liu Jianrong	
305	Shenzhen OCT Securities Branch	101D, Podium, Hubin Garden City, Overseas Chinese Town, Nanshan District, Shenzhen City	Yang Haoyuan	
306	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	
307	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	
308	Chongqing Minzu Road Securities Branch	15/F, 101 Minzu Road, Yuzhong District, Chongqing City	Wei Qingkong	



No.	Securities Branches	Address	Person In Charge	Note
309	Chongqing Jiangjin Securities Branch	Unit 3-1 Block 1, Xiangrui Building, No. 518 Dingshan Road, Dingshan Subdistrict, Jiangjin District, Chongqing City	Liu Hengyan	
310	Chongqing East Jianxin Road Securities Branch	2/F, Baiyexing Building, No. 3 East Jianxin Road, Jiangbei District, Chongqing City	Liu Yu	
311	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	
312	Chongqing Yinhua Road Securities Branch	1/F, Qinyanyuecheng 7th Building, No. 166 Yinhua Road, Longshan Subdistrict, Yubei District, Chongqing City	Luo Bing	
313	Chongqing Ruitian Road Securities Branch	No. 182-18, Ruitian Road, Yuzhong Road, Chongqing City	Yang Darong	
314	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	
315	Chongqing Shan'an Street Securities Branch	South Garden-5, Nankai Commercial Street, No. 1 Shan'an Street, Shapingba District, Chongqing City	Yan Huaqiao	
316	Chengdu Jianshe Road Securities Branch	No. 9 Jianshe Road, Chenghua District, Chengdu City	Zhang Zhiqiang	
317	Chengdu North Kehua Road Securities Branch	No.139, North Kehua Road, Chengdu City, Sichuan Province	Wang Hong	
318	Chengdu North 2nd Huan Road Securities Branch	No.8, North Section 1, 2nd Huan Road, Chengdu City	Li Hui	
319	Chengdu Chengfei Avenue Securities Branch	2/F, No. 123 Jingyi Road, Chengfei Avenue, Jingyi Road, Qingyang District, Chengdu City	Xu Ziqin	
320	Chengdu South Renmin Road Securities Branch	No. 86, Section 1, South Renmin Road, Qingyang District, Chengdu City	Xu Cheng	
321	Meishan Renshou Guangming Road Securities Branch	No. 389, Section 2 of Guangming Road, Wenlin Town, Renshou County	Liu Xiaobin	



No.	Securities Branches	Address	Person In Charge	Note
322	Deyang Kaijiang Road Securities Branch	No. 1-6, Block A, Kaijiangxincheng, No. 336, Section 1, Kaijiang Road, Jingyang District, Deyang City, Sichuan Province	Kuang Yuwei	
323	Chengdu Shuangliu Yingchun Road Securities Branch	No. 66, Section 4 of Yingchun Road, Dongsheng Street, Shuangliu County, Chengdu City, Sichuan Province	Chen Qiang	
324	Leshan Renmin South Road Securities Branch	No. 210, No. 212 Renmin South Road, Shizhong District, Leshan City	Chen Jun	
325	Bazhong Yuntai Street Securities Branch	Shop 1-6, 1-7, Shizhongxing Complex, Jiangbei Avenue, Bazhong City, Sichuan Province	Lin Hai	
326	Neijiang Yuxi Road Securities Branch	No. 147, No. 149, No. 151, Yuxi Road, Shizhong District, Neijiang City, Sichuan Province	Lin Hong	
327	Mianyang Yuejin Road Securities Branch	No. 1-4, 5/F, Unit 3, Block 26, Changhong International, No. 6 Yuejin Road, Fucheng District, Mianyang City	Cao Xi	
328	Kunming Baita Road Securities Branch	393 Baita Road, Kunming City, Yunnan Province	Chen Peng	
329	Kunming West Dongfeng Road Securities Branch	9/F, Shunchengdongta Building, 11 West Dongfeng Road, Kunming City, Yunnan Province	Wei Yuhong	
330	Kunming Minhang Road Securities Branch	Unit 7-A, Tower A, Yunnan Chengtou Building, 400 Minhang Road, Guandu District, Kunming City	Xiao Peng	
331	Yiliang Renmin Road Securities Branch	No. 69 Renmin Road, Yiliang County, Yunan Province	Shen Yanbin	
332	Chuxiong Lucheng South Road Securities Branch	No. 44, Lucheng South Road, Chuxiong, Chuxiong Prefecture, Yunnan Province	Qi Wei	
333	Mojiang Huigui Avenue Securities Branch	Shop D9, D10, Yintai Business Center, Huigui Avenue, Mojiang County, Puer, Yunnan Province	Zhu Mei	
334	Qujing Jiaotong Road Securities Branch	No. 189, Jiaotong Road, Qilin District, Qujing City, Yunnan Province	Li Wanjiang	
335	Hekou Fuan Road Securities Branch	No. 3, Block 22, Beishan New District, Hekou County, Honghe Prefecture, Yunnan Province	Guan Zhimeng	



No.	Securities Branches	Address	Person In Charge	Note
336	Xi'an East Youyi Road Securities Branch	No. 51, East Youyi Road, Xi'an, Shaanxi City	Liu Yuenian	
337	Xi'an Heping Road Securities Branch	Jiateng Building, No. 112, Heping Road, Beilin District, Xi'an City	Wang Juan	
338	Weinan Chaoyang Street Securities Branch	No. 2, Chaoyang Street, Linwei District, Weinan City	Zhang Yong	
339	Baoji Gaoxin Avenue Securities Branch	No. 59, Gaoxin Avenue, Baoji City, Shaanxi	Zhao Liang	
340	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 Xudong	
341	Xining Changjiang Road Securities Branch	No. 106 Changjiang Road, Xining City, Qinghai Province	Feng Qing	
342	Xining West Street Securities Branch	4/F, Xingwang Building, No. 30 West Street, Chengzhong District, Xining, Qinghai Province	Wang Xin	
343	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	
344	Lanzhou Qingyang Road Securities Branch	No. 77, Qingyang Road, Chengguan District, Lanzhou, Gansu Province (3&4/F, Bikexin Building)	Ning Zhiyong	
345	Baiyin Renmin Road Securities Branch	No. 10 Renmin Road, Baiyin City, Gansu Province	Fang Peng	
346	Haikou Binhai Avenue Securities Branch	1&13/F, Qiongtai Building, 83 Binhai Avenue, Haikou City	Wen Yongchun	
347	Sanya Yingbin Road Securities Branch	2/F, Shop 3, Zone 5, Shanshui Tianyu community, Yinbin Road, Jiyang District, Sanya, Hainan Province	Chen Weihong	
348	Yinchuan Jiefang West Securities Branch	No. 126, West Jiefang Road, Xingqing District, Yinchuan City	Chen Shining	
349	Shizuishan Chaoyang West Street Securities Branch	No. 1, Chaoyang West Street, Shizuishan, Ningxia	Chen Guang	



No.	Securities Branches	Address	Person In Charge	Note
350	Nanning Yuan, Hunan Road Securities Branch	No.12-2 Yuanhu South Road, Nanning City, Guangxi Province	Wang Dongrong	
351	Guilin Middle Zhongshan Road Securities Branch	8/F, South Tower, Bagui Building, 47 Middle Zhongshan Road, Xiufeng District, Guilin City Guangxi	Wang Jianhua	
352	Liuzhou Youyi Road Securities Branch	Room 7-10, 5/F, Youyiguoji, 11th Building, No. 4 Youyi Road, Liuzhou City, Guangxi	Li Zhirong	
353	Hezhou Jianshe Middle Road Securities Branch	Shop on 1/F, Block A, No. 31, Middle Jianshe Road, Babu District, Hezhou City, Guangxi	Zhou Lisi	
354	Yulin Guangchang East Road Securities Branch	No. 139, Guangchang East Road, Yuzhou District, Yulin City, Guangxi	Yang Zhenghao	
355	Urumqi Jiefang North Road Securities Branch	No. 90&112, North Jiefang Road, Tianshan District, Urumqi City	Kong Lingguo	
356	Changji Securities Branch	No. 38, Yan'an North Road, Changji City, Changji, Xinjiang (Block 12, Qiu 2, District 1)	Jiang Yuliang	
357	Hami Zhongshan North Road Securities Branch	No. 17, Zhongshan North Road, Hami City, Hami District, Xinjiang	Zhang Jun	
358	Guiyang Jinyang West Guanshan Road Securities Branch	A58, 1/F&-1/F, Tower B, Jinyang Qiantu Plaza, Jinyang New District, Guiyang	Luo Wei	
359	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	
360	Lhasa Chaoyang Road Securities Branch	No. 2, Chaoyang Road, Taiyang Island, Lhasa City	Li Zexiao	

