



Annual Report 2013



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

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 06881

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IMPORTANT NOTES

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

This report has been approved at the 40th meeting of the 2nd session of the Board of Directors, with 11 directors attended and voted at the meeting. No objection was put forward by Directors and Supervisors for this report.

The financial report for 2013 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 CPA Limited (Special General Partnership) and they have issued auditors’ report with unqualified opinions. Unless otherwise stated, the amounts in this report are presented in RMB.

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

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

CHAIRMAN'S STATEMENT



Dear shareholders,

In 2013, although we faced unfavourable situation in light of the continuous downward trend of the securities market in the PRC as a whole and the suspension of A Share IPOs, we still firmly seized the favourable conditions brought by the country's in-depth reforms, the securities market's innovative and continuous development, the active trading in the Shenzhen and Shanghai stock markets and the structural market conditions emerged from growth enterprise market. Under the collective efforts of all employees of the Company, the Company achieved good operating performance, the net profits attributable to shareholders of the Company was RMB2.135 billion, an increase of 50.39% compared to that in 2012, the weighted average return on net assets was 9.69%. The Company's business scope further expanded following the newly obtained qualifications in various businesses, such as the margin and securities refinancing business on a pilot basis, management of entrusted insurance funds business, comprehensive custody business of private funds on a pilot basis and the business of chief agency broker in national share transfer system. In particular, the Company successfully listed its H Shares on the Hong Kong Stock Exchange on 22 May 2013 and raised HK\$8.147 billion, which further enhanced the capital strength of the Company, optimised the shareholding structure and promoted the Company's international profile and brand influence.

Looking ahead in year 2014, the new wave of reforms involving state-owned enterprises will bring more business development opportunities for the securities industry in the areas of mergers and acquisitions, financial consulting, assets and market value management; the interest rate marketisation and market-oriented reform of exchange rate formation mechanism will boost structural changes in the financial market and products; the transformation and innovation in the securities industry will move towards a new and higher level following the reforms in regulatory thoughts and issuance system in the securities industry, the spanning development in multi-layer capital market construction as well as more emphasis on protection of small and medium-sized investors and particularly, the booming development of internet financial activities. The Company's strategic positioning is to become a leading comprehensive financial services provider in the securities industry of China, securing a leading position in major transactions as the core, complemented by investment banking and asset management businesses as two branches of operations, and pursuing balanced and coordinated development of all businesses. The securities industry will face major reforms and challenges in 2014, the Company will, under the guidance of "One Core, Two Branches", cope with changes in the industry actively and efficiently, promote market-oriented reforms thoroughly and implement various reform measures in a comprehensive manner, explore the potential of employees to the fullest extent and improve standard of customer services so as to strengthen the core competitiveness of the Company. Meanwhile, the Company is vigorously pursuing its A Share offering to further improve its capital strength, and is also actively preparing for and pursuing mergers and acquisitions and business integration.

陈有安

Chairman
Chen Youan

26 March 2014



SECTION I DEFINITIONS

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

“A Share(s)”	the shares that is (are) traded on the Shanghai Stock Exchange or the Shenzhen Stock Exchange in Renminbi
“Article of Association”	the articles of association of the Company (as amended from time to time)
“Board” or “Board of Directors”	the Board of Directors of the Company
“bp”	unit of measurement for the change in interest rate of bonds and notes, one bp equals to 1% of a percentage point
“CG Code”	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
“Company”	China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司), a joint stock limited company incorporated in the PRC on 26 January 2007, whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 06881)
“Company Law”	the Company Law of the People’s Republic of China
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Directors”	directors of the Company
“Domestic Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is(are) subscribed for or credited as fully paid in RMB
“End of the Reporting Period”	31 December 2013
“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公司), the controlling shareholder of the Company
“Galaxy Fund Management”	Galaxy Fund Management Company Limited (銀河基金管理有限公司), in which Galaxy Financial Holdings holds an equity interest of 50%
“Galaxy Futures”	Galaxy Futures Company Limited (銀河期貨有限公司), in which the Company holds an equity interest of approximately 83.32%
“Galaxy International Holdings”	China Galaxy International Financial Holdings Company Limited (中國銀河國際金融控股有限公司), in which the Company holds an equity interest of 100%

SECTION I DEFINITIONS

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



SECTION I DEFINITIONS

“Securities Law”	the Securities Law of the People’s Republic of China
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“SHCI”	the Shanghai Composite Index
“SSE”	the Shanghai Stock Exchange
“Supervisors”	supervisors of the Company
“Supervisory Committee”	the supervisory committee of the Company
“SZCI”	the Shenzhen Component Index
“SZSE”	the Shenzhen Stock Exchange
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“US\$” or “U.S. dollars” or “USD”	United States dollars, the lawful currency of the United States

Notes:

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

SECTION II SIGNIFICANT RISK WARNINGS

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

The risks that the Company faced mainly include: legal and compliance risks arisen from that our business management and norms were not followed up in a timely manner to meet the adjustment to laws and regulations as well as the rules of regulatory bodies; strategic risks arisen from the formulation of strategy plan under the profound changes in domestic and overseas capital markets, risks of internal operations and management arisen from changes of business model, commencement of innovative business and changes of new technologies; market risk caused by price fluctuation in the market at which the Company holds positions of securities; credit risk arisen from breach of contracts by borrowers or counterparties; liquidity risk arisen from shortage of funds when the Company fulfills its obligations of payment; and operational risk arisen from the omission of internal management, fault of information system or misconduct of the staff. In addition, the Company is also exposed to risks from the internationalization of competition and exchange rate.

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



SECTION III COMPANY PROFILE

I. COMPANY PROFILE

1. Name of the Company

Registered Chinese Name: 中國銀河證券股份有限公司

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

2. Legal Representative: Chen Youan

General Manager (President): Gu Weiguo

3. Registered Capital: RMB7.537 billion

Net Capital: RMB20.481 billion

4. Qualification of individual business

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

SECTION III COMPANY PROFILE

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



SECTION III COMPANY PROFILE

- (42) Qualification for participation in interest swap transactions
- (43) Authorities for dealer-quoted securities repurchase transactions (approved by the SSE)
- (44) Authorities for dealer-quoted securities repurchase transactions (approved by the SZSE)
- (45) Authorities for dealer-quoted repurchase transactions
- (46) Qualification for digital certificate authentication as agency
- (47) Qualification for engagement in relevant businesses at Zhejiang Equities Exchange Centre
- (48) Qualification for margin and securities refinancing on a pilot basis
- (49) Qualification for securities-based repurchase transactions on a pilot basis (approved by the SSE)

5. Headquarters in the PRC

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

6. Principal Place of Business in Hong Kong

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

7. Secretary to the Board

Secretary to the Board	Wu Chengming
Address	Tower C, Corporate Square, 35 Finance Street, Xicheng District, Beijing, PRC, 100033
Telephone	010-66568888
Fax	010-66568640
E-mail	zgyh@chinastock.com.cn

8. Joint Company Secretaries

Wu Chengming, Yung Mei Yee

9. Authorized Representatives

Wu Chengming, Yung Mei Yee

SECTION III COMPANY PROFILE

10. Statutory auditors engaged by the Company

Domestic accounting firm: Deloitte Touche Tohmatsu CPA Limited (Special General Partnership)

International accounting firm: Deloitte Touche Tohmatsu

II. HISTORY

In June 2005, according to Basic Thoughts on Restructuring of China Galaxy Securities Co., Ltd., approved by the State Council, the State Council decided to implement restructuring of China Galaxy Securities Co., Ltd. through investment made by Huijin. On 8 August 2005, Huijin and the Ministry of Finance (“MOF”) together established Galaxy Financial Holdings. On 22 December 2005, after approved by Reply on Approval of the Restructuring Proposal of China Galaxy Securities Co., Ltd. issued by CSRC (CSRC Ji Gou Zi [2005] No. 163), China Galaxy Financial Holdings Company Limited 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)有限公司) and China National Building Material Company Limited (中國建材股份有限公司), jointly established China Galaxy Securities Co., Ltd..

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

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

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

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

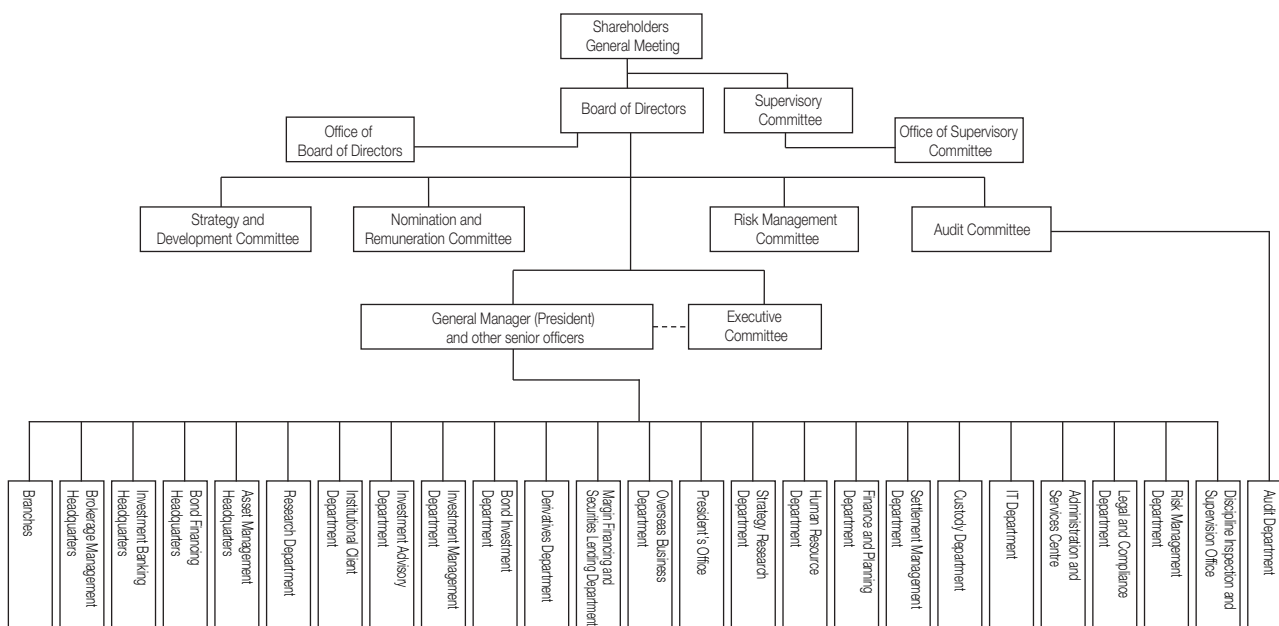
The Company has successfully listed its H shares on the Hong Kong Stock Exchange on 22 May 2013. Upon the exercise of over-allotment option on 13 June 2013, there were 1,606,604,500 H Shares in issue, among which, 69,345,743 H Shares were sold by the National Council for Social Security Fund and the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



SECTION III COMPANY PROFILE

III. ORGANIZATIONAL STRUCTURE

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



SECTION III COMPANY PROFILE

IV NUMBERS AND DISTRIBUTION OF SECURITIES BRANCHES

The Company has 234 securities branches, which are distributed in 30 provinces and autonomous regions and municipalities directly under the central government in the PRC. Among these branches, 35 are located in Zhejiang Province, 35 in Guangdong Province, 24 in Shanghai, 15 in Beijing, 13 in Hubei Province, 13 in Shanxi Province, 9 in Liaoning Province, 8 in Jiangsu Province, 8 in Fujian Province, 8 in Anhui Province, 7 in Hebei Province, 6 in Chongqing, 6 in Shandong Province, 5 in Henan Province, 5 in Sichuan Province, 4 in Yunnan Province, 3 in Tianjin, 3 in Jiangxi Province, 3 in Hunan Province, 3 in Inner Mongolia, 3 in Qinghai Province, 3 in Shaanxi Province, 3 in Heilongjiang Province, 3 in Guangxi Zhuang Autonomous Region, 2 in Gansu Province, 2 in Jilin Province, 2 in Hainan Province, 1 in Xinjiang Uygur Autonomous Region, 1 in Ningxia Hui Autonomous Region, 1 in Guizhou Province. The details of our securities branches are set out in the following table.

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



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No.	Securities Branches	Address	Person In Charge
12	Beijing Xueqing Road Securities Branch	Room 701-707, 712-718, Floor 7, Jinma Hotel, No.38(A) Xueqing Road, Haidian District, Beijing	Yan Xiaolong
13	Beijing Fangzhuang South Avenue Securities Branch	Room 103, 2 Fangzhuang South Avenue, Fengtai District, Beijing	Ai Haifeng
14	Beijing Yizhuang Rongjing East Avenue Securities Branch	Floor 4, Tower B, Building one, 3 Rongjing East Avenue, Beijing Economic-Technological Development Zone, Beijing	Wang Jinzhu
15	Beijing Shijingshan Road Securities Branch	Room 701, Floor 6, Building 2, No. 18 Cell(B), Shijingshan Road, Shijingshan District, Beijing	Meng Jing
16	Tianjin Gulou East Street Securities Branch	Floor 2, Building 16th, Xinlongxuan, the cross of Chengxiang East Street and Gulou East Street, Nankai district, Tianjin	Zhang Hongda
17	Tianjin Kaihua Road Securities Branch	Floor 1, Huake Entrepreneurship Center, 3 Kaihua Road, Huayuan industrial park, Binhai High-Tech Industry Development Zone	Zhong Jihong
18	Tianjin Xincheng West Street Securities Branch	No.203,6 Binhai Financial Street, 52 Xincheng West Street, Development Zone, Tianjin	Li gong
19	Shijiazhuang Hongqi Street Securities Branch	No.98, Hongqi Street, Shijiazhuang City, Hebei Province	Zhao Yongwei
20	Langfang Yinhe North Street Securities Branch	No.106, Yinhe North Street, Langfang City, Hebei Province	Li Fanghui
21	Shijiazhuang Shengli North Street Securities Branch	Floor 1 and 2, Futian Building, 156 Shengli North Street, Shijiazhuang City, Hebei Province	Luo Feng
22	Xingtai Qinghe Canal Street Securities Branch	No. 199, Qinghe Canal Street, Xingtai City, Hebei Province	Liu Wei
23	Xingtai Xingzhou North Street Securities Branch	No. 693, Xingzhou North Street, Xingtai City, Hebei Province	Yu Baohua
24	Cangzhou Yong'an North Street Securities Branch	No. 1266, 7th Part, Yihewenyuan Sales Department, Jiefang West Road, Yunhe District, Cangzhou City	Chen Hui

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No.	Securities Branches	Address	Person In Charge
25	Qinhangdao Securities Branch	No. 366, North Wenhua Road, Qinhangdao City, Hebei Province	Gu Xiaofeng
26	Taiyuan Yingze West Avenue Securities Branch	No.53, Yingze West Avenue, Taiyuan City, Shanxi Province	Zhao Songlin
27	Taiyuan Bingzhou South Avenue Securities Branch	No.1-2, 94 Qinxian North Avenue, Xiaodian District, Taiyuan City, Shanxi Province	Wang Wei
28	Taiyuan Taoyuan Securities Branch	No.16, Taoyuan North Avenue, Taiyuan City, Shanxi Province	Guo Jin
29	Linfen Jiefang East Road Securities Branch	No.2, Jiefang East Road, Linfen City	Yang Shuangmin
30	Houma Kuaibin Street Securities Branch	No.7, Kuaibin Street, Houma City, Shanxi Province (former Zhong Hang Building)	Wang Quanrui
31	Huozhou Kaiyuan Street Securities Branch	No.A3-6, Kaiyuanshengdian, Kaiyuan Street, Huozhou City, Shanxi Province	Dong Xinzheng
32	Yicheng Hongqi Street Securities Branch	Floor 2 and 3, Wenti Commercial Building, the East of the Government Square, Hongqi East Street, Yicheng County, Shanxi Province	Yin Yufei
33	Hongdong Chezhan Street Securities Branch	Chezhan Street, Hongdong County, Shanxi Province	Cui Jinhui
34	Jinzhong Yingbin Street Securities Branch	No.135, Yingbin Street, Yuci district, Jinzhong City, Shanxi Province	Ma Junming
35	Lingshi Xinjian Street Securities Branch	Room 101, Building 2, Lingbao International Garden, 147 Xinjian North Street, Lingshi County, Jinzhong City, Shanxi Province	Zhou Xianglian
36	Qixian Xinjian North Road Securities Branch	No.179, Xinjian North Street, Qi County, Jinzhong City, Shanxi Province (The North side of Library)	Xue Hongbin
37	Taigu Kangyuan Road Securities Branch	No.2, Building 20th, Huaxing community, Kangyuan Road, Taigu County, Jinzhong City	Zhao Junhua
38	Jiexiu Zhenxing Street Securities Branch	The Adjacency of Yipinhuangniu, Zhenxing Street, Jiexiu City, Jinzhong City	Shi Jianhua



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No.	Securities Branches	Address	Person In Charge
39	Hohhot Xinhua East Street Securities Branch	No.78, Xinhua East Street, Saihan District, Hohhot City, Inner Mongolia Autonomous Region	He Jing
40	Hohhot Daxue West Street Securities Branch	No.110, Daxue West Street, Hohhot City, Inner Mongolia Autonomous Region	Liu Xinyu
41	Baotou Wulan Road Securities Branch	No.6, 19 (A) Wulan Road, Kundulun District, Baotou City, Inner Mongolia Autonomous Region	Ren Wei
42	Shenyang Beizhan Road Securities Branch	Tower E, 59 Beizhan Road, Shenhe District, Shenyang City, Liaoning Province	Yuan Bing
43	Shenyang Dabeiguan Street Securities Branch	Floor 1-2, Unit 2, 40 Dabeiguan Street, Dadong District, Shenyang City, Liaoning Province	Wang Fu
44	Shenyang South Eighth Road Securities Branch	No 91, South Eighth Road, Heping District, Shenyang City, Liaoning Province	Liu Dayong
45	Shenyang Shuncheng Securities Branch	No.46, South Shuncheng Road, Shenhe District, Shenyang City, Liaoning Province	Wen Jiuyu
46	Shenyang Jianshe East Road Securities Branch	No.3, 76 Jianshe East Road, Tiexi District, Shenyang City, Liaoning Province	Hu Yingxin
47	Dalian Huanghe Road Securities Branch	Room B, C, D, Floor 5th of the Elevator, 620 Huanghe Road, Shahekou District, Dalian City	Guo Qing
48	Dalian Yan'an Road Securities Branch	No.6, Yan'an Road, Zhongshan District, Dalian City	Wang Yansong
49	Dalian Renmin Road Securities Branch	Floor 3, Chengda Building, 71 Renmin Road, Zhongshan District, Dalian City	Zheng Yue
50	Dalian Xinkai Road Securities Branch	Zhujiang International Building, 99 Xinkai Road, Xigang District, Dalian City	Wang Huibin
51	Changchun West Minzhu Street Securities Branch	No.1161, Chaoyang West Minzhu Street, Changchun City, Jilin Province	Zhao Yubo

SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
52	Changchun Dongnanhu Road Securities Branch	Floor 2, Podium Building of Nanhu Holiday multiple-use building, 1999 Nanhu Road, Nangan District, Changchun City, Jilin Province	Hao Chiping
53	Harbin West Tenth Street Securities Branch	No.19, West Tenth Street, Daoli District, Harbin City, Heilongjiang Province	Wang Ting
54	Harbin Huayuan Street Securities Branch	No. 310, Huayuan Street, Harbin City, Heilongjiang Province	Li Naichen
55	Daqing Dongfeng Road Securities Branch	No. 78, 80, Dongfeng Road, No. F-4 Shangfu Building, Hanchengmingyuan, Dongfeng District, Daqing City	Zhang Hui
56	Shanghai Jiangsu North Road Securities Branch	Floor 2, Room 104, 30 Jiangsu North Road, Changning District, Shanghai	Li Gequan
57	Shanghai Zhangyang Road Securities Branch	Floor 2, 1227 Zhangyang Road, Shanghai	Shen Jianming
58	Shanghai Zhongyuan Road Securities Branch	No.188, Zhongyuan Road, Shanghai	Liu Dong
59	Shanghai Anye Road Securities Branch	No.124, Anye Road, Shanghai	Song Weiyan
60	Shanghai Lianxi Road Securities Branch	No.150, Lianxi Road, Shanghai	Huang Gang
61	Shanghai Yingkou Road Securities Branch	No.99, Yingkou Road, Shanghai	Wang Yisheng
62	Shanghai Hongjing Road Securities Branch	Floor 2, 185 Hongjing Road, Shanghai	Dai Linlong
63	Shanghai Yichuan Road Securities Branch	Floor 1, 2, 833 Yichuan Road, Shanghai	Huang Xuqing
64	Shanghai Shangnan Road Securities Branch	No. 1316, Shangnan Road, Shanghai	Cheng Xiaoqi
65	Shanghai Gongkang Road Securities Branch	No.328, Gongkang Road, Shanghai	Jiao HongYan
66	Shanghai East Baoxing Road Securities Branch	Floor 12,13, 118 East Baoxing Road, Hongkou District, Shanghai	Liang Chunliang
67	Shanghai Wulian Road Securities Branch	No. 11, Wulian Road, Shanghai	Zhang Xuehong
68	Shanghai Xinchang Road Securities Branch	No.518, Xinchang Road, Shanghai	Li Shujun



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
69	Shanghai Dongfang Road Securities Branch	Floor 2, 8, Zhongda Square, 989 Dongfang Road, Shanghai	Bian Yuxiang
70	Shanghai Zhaojabang Road Securities Branch	Floor 2, 3, 186 Zhaojabang Road, Shanghai	Yu Xiaofeng
71	Shanghai Dalian West Road Securities Branch	Room 1701, 1703, No.1, Lane 100, East Tiyuhui Road, 555 Dalian West Road, Shanghai	Li Xue
72	Shanghai Hengfeng Road Securities Branch	Room 201-1, Floor 2, 218 Hengfeng Road, Shanghai	Liu Kai
73	Shanghai East daming Road Bund Securities Branch	Room A, Floor 2, 912 East daming Road, Hongkou District, Shanghai	Li Junyan
74	Shanghai Xinyu Road Securities Branch	No.205, Xinyu Road, Jiading District, Shanghai	Pan Yuhua
75	Shanghai Renmin Road Securities Branch	Floor 3, Tianyihunqing Square, 757 Renmin Road, Shanghai	Qiu Peng
76	Shanghai Pudong South Road Securities Branch	Floor 1, 15, World Square, 855 Pudong South Road, Shanghai	Chen Aiping
77	Shanghai Zhongshan North Road Securities Branch	Floor 4, Podium Building of Zhongguancun Building, 2917 Zhongshan North Road, Shanghai	Luo Jianlin
78	Shanghai Caobao Road Securities Branch	No.3138, Caobao Road, Shanghai	Li Xinliang
79	Shanghai Yanan West Road Securities Branch	Floor 5, the Pacific Central Building, 889 Yanan West Road, Shanghai	Zhang Zhiyong
80	Nanjing Hongwu Road Securities Branch	Room 104, Room 203-207, Floor 2, Room 304-307, Floor 3, Hongwu Road, Qinhuai District, Nanjing	Wang Desheng
81	Nanjing Shanghai Road Securities Branch	No.145, Shanghai Road, Nanjing City, Jiangsu Province	Cao Anming
82	Nanjing Longpan Middle Road Securities Branch	Floor 2, Jincheng Science Building, 216 Longpan Middle Road, Baixia District, Nanjing	Hu Kaitao
83	Nanjing Jiangdong Middle Road Securities Branch	Room 301, No. 201, Room 301, No. 203, Jiangdong Middle Road, Jianye District, Nanjing	Zhang Ming

SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
84	Nanjing Nanrui Road Securities Branch	Building 19th, Wuyueyiyuan, 79 Nanrui Road, Gulou District, Nanjing City, Jiangsu Province	Liang Shu
85	Yangzhou Wenchang Middle Road Securities Branch	No.561, Wenchang Middle Road, Yangzhou City, Jiangsu Province	Ji Chunlei
86	Suzhou Sanxiang Road Securities Branch	No.718, Sanxiang Road, Suzhou City, Jiangsu Province	Qian Chun
87	Zhenjiang Huangshan South Road Securities Branch	Floor 11, 20 Huangshan South Road, Zhenjiang City, Jiangsu Province	Zhang Keming
88	Hangzhou Jiefang Road Securities Branch	No.36, Jiefang Road, Shangcheng District, Hangzhou City, Zhejiang Province	Gao Yijun
89	Hangzhou Stadium Road Securities Branch	Floor 1, 3, 4, 102 Stadium Road, Hangzhou	Chen Chuang
90	Hangzhou Shaoxing Road Securities Branch	Room 216-217, 303 Shaoxing Road, Hangzhou	Wang Guang
91	Hangzhou Gudun Road Securities Branch	Room 401, Unit 3, Building 1, Yuyingfang, Qinqinjiayuan, Sandun county, Hangzhou City, Zhejiang Province	Sun Zhuo
92	Hangzhou Xintang Road Securities Branch	No.13, Xindu Road, Hangzhou City, Zhejiang Province	Hu Jun
93	Jiande Xin'an Road Securities Branch	No.193, Xin'an Road, Xin'anjiang Street, Jiande City, Zhejiang Province	Wu Hao
94	Hangzhou Genshan West Road Securities Branch	Floor 1, 6-8, 220 Genshan West Road, Hangzhou City, Zhejiang Province	Wang Yueqian
95	Hangzhou Yuhang Qiushan Street Securities Branch	No.626, Qiushan Street, Donghu Road, Yuhang District, Hangzhou City, Zhejiang Province	Chen Lijun
96	Tonglu Fuchun Road Securities Branch	Floor 1,7, 528 Fuchun Road, Tonglu County, Zhejiang Province	Chen Long
97	Shaoxing Securities Branch	No.146, Luxun Middle Road, Shaoxing City, Zhejiang Province	Xi Meijiao
98	Deqing Securities Branch	No.251, Zhongxing South Road, Wukang County, Deqing Town	Wu Tao



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
99	Huzhou Shiyuan Road Securities Branch	No. 883-885, Shiyuan Road, Nanxun County, Huzhou City, Zhejiang Province	Jin Huan
100	Shangyu Wangchong Road Securities Branch	Floor 1, 4, Jincheng Building, 578 Wangchong Road, Shangyu City, Zhejiang Province	Gong Xiaojun
101	Yiwu Chouzhou North Street Securities Branch	No.661 to 663, Chouzhou, North Road, Yiwu City, Zhejiang Province	Shen Qun
102	Lanxi Sanjiang Street Securities Branch	No.73, Sanjiang Road, Lanxi city, Zhejiang Province	Ni Zhifang
103	Lishui Securities Branch	No.375, Dayang Road, Lishui city, Zhejiang Province	Shu Youming
104	Qingtian Yongjin Street Securities Branch	No.2 to No.1, Yongjin Road, Lishui city, Zhejiang Province	Yu Haigen
105	Longquan Xinhua Street Securities Branch	No.30, Xinhua Road, Longquan city, Zhejiang Province	Yang Ye
106	Zhuchang North Street Securities Branch	No.1, North Road, Miaogao town, Zhuchang county, Lishui city, Zhejiang Province	Qiu Suhua
107	Qingyuan Mengzhou Securities Branch	No.160, Mengzhou Road, Songyuan town, Qingyuan county, Zhejiang Province	Zhang Yong
108	Wenzhou Danan Street Securities Branch	No.201, the 2nd Floor, Huadu Building, Danan Road, Lucheng District, Wenzhou city, Zhejiang Province	Peng Jie
109	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
110	Cangnan Yucang Street Securities Branch	The 2nd Floor, Cangnan Hotel, No.118, Yucang Road, Lingxi town, Cangnan county, Zhejiang Province	Lin Guanshu
111	Huzhou Securities Branch	No.128, Hongqi Road, Huzhou city, Zhejiang Province	Lou Daxin
112	Quzhou Hehua Middle Street Securities Branch	The 1st and 3rd Floor, No.50, Hehua Middle Road, Quzhou city, Zhejiang Province	Xu Shenglin

SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
113	Changxing County Qianxi Road Securities Branch	The 1st and 3rd Floor, No.207, 209 and 211, Qianxi Road, Zhicheng town, Changxing county	Yu Zhiwei
114	Jiaxing Securities Branch	No.363, Qinjian Road, Jiaxing city, Zhejiang Province	Yang Jianming
115	Pinghu Jiefang West Street Securities Branch	The 1st and 2nd Floor, No.62, Jiefang West Road, Danghu Street, Pinghu city, Zhejiang Province	Ma Yining
116	Jinhua Securities Branch	No.393, Bayi South Road, Jinhua city, Zhejiang Province	Zhong Xiaojun
117	Taizhou Youdian Street Securities Branch	No.109 to 125, Youdian Road, Luqiao District Taizhou city, Zhejiang Province	Yu Wei
118	Wenzhou Jinxiu Street Securities Branch	Room.104, Building 1, Ruikang Business Building, Jinxiu Road, Wenzhou City	Jin Fan
119	Ningbo Daqing South Street Securities Branch	No.6, Daqing South Road, Jiangbei District, Ningbo city	Teng Kezhi
120	Ningbo Jiefang South Street Securities Branch	No.15, Jiefang South Road, Haishu District, Ningbo city, Zhejiang Province	Shen Guanghui
121	Ningbo Cuibai Street Securities Branch	No.416, Cuibai Road, Jiangbei District, Ningbo city	Wang Yunguo
122	Ningbo Dashani Street Securities Branch	Building Fumao, No.88, Dashani Road, Haishu District, Ningbo City, Zhejiang Province	Shi Minwei
123	Hefei Jincheng Securities Branch	No.419, Changjiang Middle Road, Luyang District, Hefei City, Anhui Province	Lu Weizhe
124	Hefei Changjiang Middle Street Securities Branch	No.57, Changjiang Middle Road, Hefei city, Anhui Province	Cheng Lesan
125	Ma'an Shan Securities Branch	No.18-1, Zhonggang First Village, Lanhu Road, Manshan city, Anhui Province	Wang Gongman
126	Huangshan Xinyuan East Street Securities Branch	No.198, Xinyuan East Road, Tunxi District, Huangshan city, Anhui Province	Lu Wenbin
127	Hefei Tunxi Street Securities Branch	The 1st, 2nd and 8th Floor, Fuguang Building, No.239, Tunxi Road, Baohe District, Hefei city, Anhui Province	Tao Fei



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
128	Hefei Qimen Street Securities Branch	The 1st and 2nd Floor, Annex Building, Anhui Commerce Department, No. 1569, Qimen Road, Zhengwu New Street, Hefei city, Anhui Province	Kong Jun
129	Wuhu Limin West Street Securities Branch	Taixin Business Center(Huarun Suguo Limin Shopping Mall), Yijiang District, Wuhu city, Anhui Province	Wang Wei
130	Bengbu Donghai Street Securities Branch	No.5183 (The 1st Floor, East of Business Building, South of Zhanggongshan Park), Donghai Road, Bengbu city	Shen Wenjie
131	Fuzhou Securities Branch	Storefront 01, 2nd Floor and Storefront 12 and 13, 1st Floor, Building 1, Fuzhou Jiyou Square, No.39, Fuma Road, Gulou District, Fuzhou city, Fujian Province	Chen Xusheng
132	Fuzhou Dongshui Street Securities Branch	The 2nd to 3rd Floor, Design Building No.55, Dongshui Road, Gulou District, Fuzhou city	Chen Haobo
133	Zhangzhou Shuixian Street Securities Branch	Room D3, D17, D18, Building D-E, Rongchang Square, Rongchang Garden, Shuixian Street, Longwen District, Zhangzhou city, Fujian Province	Zhang Aiqun
134	Fuzhou Zhongshan Street Securities Branch	Business Building No.23, Zhongshan Road, Fuzhou city, Fujian Province	Zheng Yong
135	Xiamen Meihu Street Securities Branch	No.75-87, Meihu Road, Xiamen city	Zhou Lianyuan
136	Xiamen Huyuan Street Securities Branch	The 1-3 Floor, No.6, Huyuan Road, Xiamen City	Huang Feilong
137	Xiamen Jiahe Street Securities Branch	The 5th Floor, New Jingyuan Center, No.25, Jiahe Road, Siming District, Xiamen city	Zeng Wenqing
138	Xiamen Tongan Xiangping Securities Branch	No.96-100, Pingdong Road, Xiangping Street, Tongan District, Xiamen city	Wei Xiangfei
139	Nanchang Square East Street Securities Branch	No.203, Square East Road, Nanchang city, Jiangxi Province	Yu Genping
140	Nanchang Yanjiang Middle Street Securities Branch	Huacai Building, No.019, Yanjiang Middle Road, Nanchang city, Jiangxi Province	Shuang Nianqun

SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
141	Ganzhou Kejia Street Securities Branch	No.11, Keijia Street, Zhanggong District, Ganzhou city, Jiangxi Province	Wan Yutian
142	Yantai Securities Branch	No.175, Xinnahe Road, Yantai city, Shandong Province	Zhang Huasheng
143	Weifang Fushou West Securities Branch	No.83, Fuzhou West Road, Weicheng District city, Shandong Province	Zhong Jian
144	Zibo Linzi Street Securities Branch	No.698, Linzi Street, Linzi District, Shandong Province	Wu Tao
145	Jinan Jingqi Street Securities Branch	No.83, Jingqi Road, Jinan city, Shandong Province	Leng Bingyan
146	Qingdao Guangxi Street Securities Branch	No.16, Guangxi Road, Shinan District, Qingdao city, Shandong Province	Yu Jun
147	Qingdao Rehe Street Securities Branch	No.57 Shen, Rehe Road, Shibe District, Qingdao city, Shandong Province	Liu Guoguang
148	Zhengzhou Jiankang Street Securities Branch	No.168, Jiankang Road, Zhengzhou city, Henan Province	Wang Jiangbo
149	Zhengzhou Longhai Street Securities Branch	No.59, Longhai Road, Zhengzhou city, Henan Province	Yang Mujun
150	Zhengzhou Jingsan Street Securities Branch	Zhuxie Building, No.85, Jingsan North Road, Zhengzhou city, Henan Province	Wang Junzhao
151	Zhengzhou Nanyang Street Securities Branch	Attached No. 11, No.301, Nanyang Road, Zhengzhou city, Henan Province	Chang Zhijun
152	Zhengzhou Shanhe Securities Branch	No.9, Weiwu Road, Zhengzhou City, Henan Province	Ma Chaoqun
153	Wuhan Aomen Street Securities Branch	No.123(Aomen Yinzuo Phase 2), Aomen Road, Jiangan District, Wuhan city, Hubei Province	Dong Lintao
154	Wuhan Hanyang Securities Branch	No. 75, Hanyang Yingwu Street, Wuhan city, Hubei Province	Hu Junlin
155	Wuhan Zhongnan Road Securities Branch	No.456 (New Era Business Center), Wuluo Road, Zhongnan Road, Wuchang District, Wuhan city, Hubei Province	Zhang Zhiqiang



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
156	Wuhan Huaqiao Securities Branch	Tianhui Building, No.52-2, Jiefang Park Road, Wuhan city, Hubei Province	Lv Gang
157	Wuhan Jiyuqiao Securities Branch	Yuqiao New Building, No. 6 and 7 Annex Building, Jiyuqiao, Wuchang District, Wuhan city, Hubei Province	Zhang Qing
158	Wuhan Wuluo Street Securities Branch	No.382, Wuluo Road, Wuhan city, Hubei Province	Zuo Gang
159	Wuhan Hanyang Street Securities Branch	2nd Floor, Jinlong Garden No. 11, No.642, Hanyang Street, Wuhan city	Li Chong
160	Wuhan Zhuankou Ningkang Street Securities Branch	Building No.1, D District, Xianglong Times Business Center, Ningkang Road, Wuhan Economical and technical development Zone, Hubei Province	Zeng Lilan
161	Yichang New Century Securities Branch	No.21, Yunji Road, Yichang city, Hubei Province	Gong Aiming
162	Jingmen Securities Branch	No.118, Xiangshan Street, Jingmen city, Hubei Province	Zhang Baohe
163	Shayang Hanjin Street Securities Branch	No.54, Hanjin Road, Shayang county, Hubei Province	Wangwei
164	Xiangyang Securities Branch	No.5, Jianshe Road, Fancheng District, Xiangyang city, Huibei Province	Yu Rongyan
165	Zaoyang Xiangyang Street Securities Branch	No.16, Xiangyang Road, Zaoyang city, Huibei Province	Dong Bin
166	Changsha Furong Middle Street Securities Branch	No.327, 2nd of Furong Middle Road, Changsha city, Hunan Province	Deng Likang
167	Loudi Yuetang Street Securities Branch	3rd Floor, Building E, Anshi Group, Anshi Square, Yuetang Street, Louxing District, Loudi city	Han Hua
168	Changsha Furong Middle Street Securities Branch	No.536 International Trade Building, 1st of Furong Middle Road, Changsha city, Hunan Province	Hu Hao
169	Guangzhou Tianhe 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	Chen Zhihui

SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
170	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
171	Guangzhou Zhongshan 2nd Street Securities Branch	The 1st to 2nd Floor, Dianxin Square, No. 18, Zhoangshan 2nd Road, Guangzhou city	Pan Xiang
172	Guangzhou Jianshe Street Securities Branch	1st to 3rd Floor, the Students' Comprehensive Building of Guangdong Provincial Party Committee school No.3, Jianshe Street, Guangzhou city	Wang Dongrong
173	Guangzhou Linjiang Street Securities Branch	D District of Bihaiwan Business Annex Building, No.39, Zhujiang New City Linjiang Road, Tianhe District, Guangzhou City	Rao Jie
174	Zhongshan Securities Branch	No.52, Sunwendong East Road, Shiqi District, Zhongshan city	Ruan Lianghui
175	Zhongshan Guzhen Securities Branch	The 1st and 2nd Floor, No.17 and 18, Dengdu New Field C District, Sports Road, Guzhen Town, Zhongshan city	Kuang Luqian
176	Zhongshan Huangpu Securities Branch	The 1st and 2nd Floor, Dianxin Building, No.72, Xingpu Street, Huangpu Town, Zhongshan city, Guangdong Province	Yang Xinsheng
177	Zhongshan Xiaolan Securities Branch	The 1st and 2nd Floor, No.118, Min'an Middle Road, Xiaolan Town, Zhongshan city	Wei Dan
178	Foshan Shunde Daliang Securities Branch	The 2nd Floor, Xinjing Garden, No.10-11, Yunliang Road, Daliang Street Office, Shunde District, Shunde city	Tian Dongmei
179	Foshan Shunde Ronggui Securities Branch	No.19-26, Shoucengpu, C Building Happiness Garden, Middle Guizhou Street, Happiness Neighborhood Committee, Ronggui Street Office, Shunde District, Foshan city, Guangdong Province	Shao Xinglu
180	Foshan Shunde Lecong Securities Branch	The 2nd to 4th Floor, Xinfeng Building, No.B33, Yuejin Road, Lecong Town, Shunde District, Foshan city, Guangdong Province	Huang Haining



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
181	Foshan Securities Branch	No.2, Renmin West Road, Shancheng District, Foshan city, Guangdong Province	Wu Hui
182	South Foshan Haiguiping 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
183	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
184	Huizhou Huisha Embankment Road Securities Branch	The 1st and 2nd Floor, Kaixuan Attic, No. 6, Huisha Embankment Road, Huizhou city, Guangdong Province	Zeng Jun
185	Zhuhai Jingshan Street Securities Branch	The 7th and 11th Floor, Coespond Building, No.173, Jingshan Avenue, Xiangzhou District, Zhuhai city, Guangdong Province	Miao Di
186	Dongguan Dongcheng Avenue Securities Branch	The 2nd Floor, Main Building of Jinze Garden, Dongcheng Avenue, Dongcheng District, Dongguan city	Xu Bier
187	Shantou Ginza Securities Branch	No.2, Rongjiang Road, Shantou city	Wu Hong
188	Shantou Chenghai Securities Branch	The 1st Floor, B Building, Yaqian Market, Zhongshan South Road, Chenghai District, Shantou city, Guangdong Province	Chen Chengtong
189	Shantou Chaoyang Securities Branch	No.36, Dongshan Street, Chaoyang District, Shantou city, Guangdong Province	Zheng Qiuming
190	Shantou Tianshan Street Securities Branch	The 1st to 4th Floor, Huaxing Building, No.66, Tianshan Road, Shantou City	Huang Shaoyong
191	Shantou Hanjiang Street Securities Branch	No.1, Hanjiang Road, Shantou City	Ma Weiyi
192	Guangzhou Panyu South Street Securities Branch	No.65, 201, 202, 301 and 302, South Road, Panyu District, Guangzhou city, Guangdong Province	Wu Shuo

SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
193	Jiangmen Donghai Street Securities Branch	Room 501 (Self-numbered: B510-B516, C500-C503), No. 48, Donghai Road, Jianghai East District, Jiangmen city, Guangdong Province	Wu Zhigang
194	Jieyang Wangjiang North Street Securities Branch	No.16, the 1st and the 2nd Floor, Hemeiyuan Building, Wangjiang North Road, Rongcheng District, Jieyang city, Guangdong Province	Yuan Songsheng
195	Zhanjiang Lianjiang Huanshi North Road Securities Branch	No.66, Lianjiang Huanshi North Road, Zhanjiang city, Guangdong Province	Luo Yufeng
196	Zhaoqing Xinghu Avenue Securities Branch	East Store of No. 102 Store, 1st Floor, C5 Building, Hengyu Bay, No.9, Xinghu Avenue, Zhaoqing city	Fan Zhiming
197	Shenzhen Baoan Road Securities Branch	3rd Floor, Baoli Building A, No.2052, Baoan South Road, Luohu District, Shenzhen City	Zhang Qinghua
198	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 City	Tang Zhigang
199	Shenzhen Luohu Securities Branch	15th Floor of East Financial Building, No.2020, Dongmen Middle Road, Luohu District, Shenzhen City	Shi Zhongyang
200	Shenzhen Haide 3rd Avenue Securities Branch	Unit 2907-2912, 29th Floor and unit 170 1st Floor, West Hai'an Building, No.19, Haide 3rd Road, Nanshan District, Shenzhen City	Gong Dejun
201	Shenzhen Jingtian Securities Branch	2/F, Saigejinyuan Building, 17 West Jingtian Road, Futian Dist., Shenzhen City	Lin Yibin
202	Shenzhen Binhe Avenue Securities Branch	12/F, Guotong Building, 9023 Binhe Avenue, Futian District, Shenzhen City	Wang Kun
203	Shenzhen Fuhuy First Road Securities Branch	27/F, Zhongxin Business Building, 88 Fuhua 1st Road, Futian District, Shenzhen City	Hu Xuemei
204	Nanning Yuanhu South Road Securities Branch	No.12-2, South Yuanhu Road, Nanning City	Li Chao



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
205	Guilin Middle Zhongshan Road Securities Branch	8/F, South Tower, Bagui Building, 47 Middle Zhongshan Road, Xiufeng District, Guilin City	Huang Jianhua
206	Liuzhou Youyi Road Securities Branch	Room 7-10, 5/F, Youyiguoji, 11th Building, No. 4 Youyi Road, Liuzhou	Xiao Yu
207	Haikou Binhai Avenue Securities Branch	1&13/F, Qiongtai Building, 83 Binhai Avenue, Haikou	Wen Yongchun
208	Sanya Jiefang 4th Road Securities Branch	2/F, West Wing, Orient Bay-View Hotel, 176 Jiefang 4th Road, Sanya, Hainan Province	Huang Zehua
209	Chongqing Minzu Road Securities Branch	15/F, 101 Minzu Road, Yuzhong District, Chongqing	Wei Qingkong
210	Chongqing Jiangnan Avenue Securities Branch	Room 1&2, 5/F, Chengshizhiguang Building, No.19 Jiangnan Avenue, Nanping Subdistrict, Nan'an District,, Chongqing	Tang Hewen
211	Chongqing Zhujiang Road Securities Branch	22/F, 1st Building, Xichengguoji, No. 48 Zhujiang Road, Yangjiaping, Jiulongpo District, Chongqing	Cao Yi
212	Chongqing East Jianxin Road Securities Branch	2&3/F, Baiyexing Building, No. 3 East Jianxin Road, Jiangbei District, Chongqing	Liu Yu
213	Chongqing Yinhua Road Securities Branch	1/F, Qinianyuecheng 7th Building, No. 166 Yinhua Road, Longshan Subdistrict, Yubei District, Chongqing	Long Hai
214	Chongqing Jiangjin Securities Branch	Unit 3-1 Block 1, Xiangrui Building, No. 518 Dingshan Road, Dingshan Subdistrict, Jiangjin District, Chongqing	Liu Hengyan
215	Chengdu South Renmin Road Securities Branch	No. 86, Section 1, South Renmin Road, Qingyang Chengdu, Sichuan	Zhang Lu
216	Chengdu North 2nd Huan Road Securities Branch	No.8, North Section 1, 2nd Huan Road, Chengdu, Sichuan	Li Hui
217	Chengdu Chengfei Avenue Securities Branch	No. 123 Jingyi Road, Chengfei Avenue, Jingyi Road, Qingyang District, Chengdu, Sichuan	Xu Ziqin
218	Chengdu Jianshe Road Securities Branch	No. 9 Jianshe Road, Chenghua District, Chengdu, Sichuan	Zhang Zhiqiang

SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
219	Chengdu North Kehua Road Securities Branch	No.139, North Kehua Road, Chengdu, Sichuan	Wang Hong
220	Guiyang Jinyang West Guanshan Road Securities Branch	1/F&-1/F, Tower B, Jinyang Qiantu Plaza, Jinyang New District, Guiyang	Luo Wei
221	Kunming West Dongfeng Road Securities Branch	9/F, Shunchengdongta Building, 11 West Dongfeng Road, Kunming, Yunnan	Wei Yuhong
222	Kunming Baita Road Securities Branch	393 Baita Road, Kunming, Yunnan	Chen Peng
223	Kunming Minhang Road Securities Branch	Unit 7-A, Tower A, Yunnan Chengtuo Building, 400 Minhang Road, Guandu District, Kunming	Xiao Peng
224	Yiliang Renmin Securities Branch	No. 69 Renmin Road, Yiliang County, Yunan	Guan Zhimeng
225	Xi'an East Youyi Road Securities Branch	Commercial Building of China Railway No. 1 Engineering Group, No. 51, East Youyi Road, Xi'an, Shaanxi	Liu Yuenian
226	Xi'an Heping Road Securities Branch	Jiateng Building, No. 112, Heping Road, Xi'an, Shaanxi	Yan Lijin
227	Weinan Chaoyang Street Securities Branch	No. 2, Chaoyang Street, Linwei District, Weinan City	Pan Yuan
228	Lanzhou Qingyang Road Securities Branch	No. 77, Qingyang Road, Chengguan District, Lanzhou, Gansu Province (3&4/F, Bikexin Building)	Chen Yankang
229	Baiyin Renmin Road Securities Branch	No. 10 Renmin Road, Baiyin City, Gansu Province	Zhang Jun
230	Xining West Street Securities Branch	4/F, Xingwang Building, No. 2 West Street, Chengzhong District, Xining, Qinghai Province	Wang Xin
231	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
232	Xining Changjiang Road Securities Branch	No. 106 Changjiang Road, Xining, Qinghai Province	Feng Qing
233	Yinchuan West Jiefang Securities Branch	1&5/F, No. 126, West Jiefang Road, Xingqing District, Yinchuan City	Chen Shining
234	Urumqi North Jiefang Road Securities Branch	No. 90&112, North Jiefang Road, Tianshan District, Urumqi	Kong Lingguo



SECTION III COMPANY PROFILE

V. SUBSIDIARIES AND BRANCHES

(i) As at the End of the Reporting Period, the Company has 3 subsidiaries.

Name	Address	Date of incorporation	Registered Capital	Legal Representative	Percentage of shareholding	Telephone	Note
Galaxy Futures	Room 306, 8/F, Sinochem Tower, A2 Fuxingmenwai Street, Xicheng District, Beijing	25 December 2006	RMB 1.2 billion	Yao Guang	83.32%	010-58363288	In May 2012, the registered capital increased from RMB 600 million to RMB 1.2 billion.
Galaxy Capital	2/F, Tower C, 1st Building, 35 Finance Street, Xicheng District, Beijing	21 October 2009	RMB 1 billion	You Chun	100%	010-83571391	In October 2013, the legal representative changed to You Chun from Li Yongfei.
Galaxy International Holdings	Unit 3501-07, 3513-14, 35/F, Cosco Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong; Unit 2701-3, 27/F, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong	9 February 2011	HK\$600 million	N/A	100%	(852) 36986788	

SECTION III COMPANY PROFILE

(ii) As at the End of the Reporting Period, the Company had 29 branches, details of which are as follows:

No.	Branches	Address	Person In Charge	Date of incorporation	Working Capital (RMB)	Telephone
1	Beijing Branch	2/F, 21st Building, Fenghuiyuan, Xicheng District, Beijing	Zhao Hongliang	22 November. 2011	5 million	010-58872777
2	Guangdong Branch	Room 202, 2/F, Tower A, Academic Communication Center Building, Guangzhou Medical College, No. 195 West Dongfeng Road, Yuexiu District, Guangzhou	Chen Zhihui	22 November. 2011	5 million	020-87559999
3	Hunan Branch	No. 327, Section 2, Middle Furong Road, Yuhua District, Changsha	Deng Likang	29 November. 2011	5 million	0731-85533268
4	Shanghai Branch	Room 0304, 26/F, Zhendan International Building, No. 99, Fucheng Road, Pudong New District, Shanghai	Jiang Yuesheng	29 November. 2011	5 million	021-20252618
5	Zhejiang Branch	5/F, No.102, Stadium Road, Hangzhou	Li Chaoyang	15 December 2011	5 million	0571-87048267
6	Shenzhen Branch	Room 2401-2420, 24/F, Shenzhen Central Business Building, West Mintian Road, Futian center District, Shenzhen	Zhang Qinghua	29 November. 2011	5 million	0755-25890161
7	Tianjin Branch	Room 601-8, No. 3 Kaihua Road, Huayuan Industry Area, Tianjin	Zhong Jihong	3 May 2013	5 million	022-83830606
8	Henan Branch	No.168 Jiankang Road, Jinshui District, Zhengzhou	Wang Jiangbo	3 May 2013	5 million	0371-63830968
9	Qinghai Branch	No.106-26, Changjiang Road, Chengzhong District, Xining	Feng Qing	3 May 2013	5 million	0971-8261698
10	Ningbo Branch	7/F, No. 6 Daqing South Road, Jiangbei District, Ningbo	Teng Kezhi	3 May 2013	5 million	0574-87285929
11	Shanxi Branch	4/F, West Wing, Yingxi Building, No. 53 Yingze West Street, Wanbolin District, Taiyuan	Zhao Songlin	3 May 2013	5 million	0351-8610998
12	Yunnan Branch	9/F, Shunchengdongta Building, No.11 Dongfeng West Road, Wuhua District, Kunming, Yunnan	Wei Yuhong	3 May 2013	5 million	0871-3642016



SECTION III COMPANY PROFILE

No.	Branches	Address	Person In Charge	Date of incorporation	Working Capital (RMB)	Telephone
13	Dalian Branch	B&C&D, 5/F, Elevator Building, No. 620 Huanghe Road, Shahekou District, Dalian	Guo Qing	3 May 2013	5 million	0411-82336777
14	Jiangsu Branch	Room 304, 3/F, Fuxinguoji Building, No. 359 Hongwu Road, Nanjing	Wang Desheng	3 May 2013	5 million	025-84265588
15	Jilin Branch	Nanhu Road Comprehensive Building, No. 1999 Nanhu Road, Nangan District, Changchun	Hao Chiping	3 May 2013	5 million	0431-88581160
16	Inner Mongolia Branch	Huamenshijia, 78 East Xinhua Street, Saihan District, Hohhot, Inner Mongolia	Yao Jianxun	3 May 2013	5 million	0471-4955495
17	Chongqing Branch	15/F, No. 101 Minzu Road, Yuzhong District, Chongqing	Zhao Weimin	3 May 2013	5 million	023-88128899
18	Hubei Branch	Room One, 2/F, West Wing, New Times Business Center, No. 456 Wuluo Road, Wuchang District, Wuhan	Luo Xuekui	3 May 2013	5 million	027-87841700
19	Hebei Branch	No. 98 Hongqi Avenue, Zhuangqiaoxi District, Shijiazhuang	Zhao Yongwei	18 April 2013	5 million	0311-83996339
20	Xiamen Branch	West part, 2/F, No.18, Meirenxincun, Siming District, Xiamen	Zhou Lianyuan	3 May 2013	5 million	0592-2200246
21	Heilongjiang Branch	Building F, No. 310 Huanyuan Street, Nangang District, Harbin	Li Naichen	3 May 2013	5 million	0451-53905888
22	Liaoning Branch	Unit 17-3, No. 59 Beizhan Road, Shenhe District, Shenyang	Yuanbing	3 May 2013	5 million	024-23262577
23	Anhui Branch	No. 57 Changjiang Middle Road, Luyang District, Hefei	Cheng Lesan	3 May 2013	5 million	0551-2609765
24	Sichuan Branch	Room 401, 4/F, 1st Building, No. 9 Jianshe Road, Chenghua District, Chengdu	Zhang Zhiqiang	3 May 2013	5 million	028-84396896

SECTION III COMPANY PROFILE

No.	Branches	Address	Person In Charge	Date of incorporation	Working Capital (RMB)	Telephone
25	Shandong Branch	No. 175 Xinanhe Road, Zhifu District, Yantai	Zhang Huasheng	3 May 2013	5 million	0535-6626318
26	Fujian Branch	No.1 Shop, 2/F, 1st Building, Fuzhou Jiyou Plaza, No. 39 Fuma Road, Shuibu Subdistrict, Gulou District, Fuzhou	Chen Xusheng	3 May 2013	5 million	0591-83337445
27	Jiangxi Branch	6/F, No. 203 East Guangchang Road, Nanchang	Yu Genping	3 May 2013	5 million	0791-86224095
28	Qingdao Branch	1/F, No. 16 Guangxi Road, Shinan District, Qingdao	Yu Jun	3 May 2013	5 million	0532-82870566
29	Shaanxi Branch	2/F, Commercial Building of China Railway Group, No. 51, East Youyi Road, Beilin District Xi'an	Liu Yuenian	15 May 2013	5 million	0971-8261688



SECTION IV SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

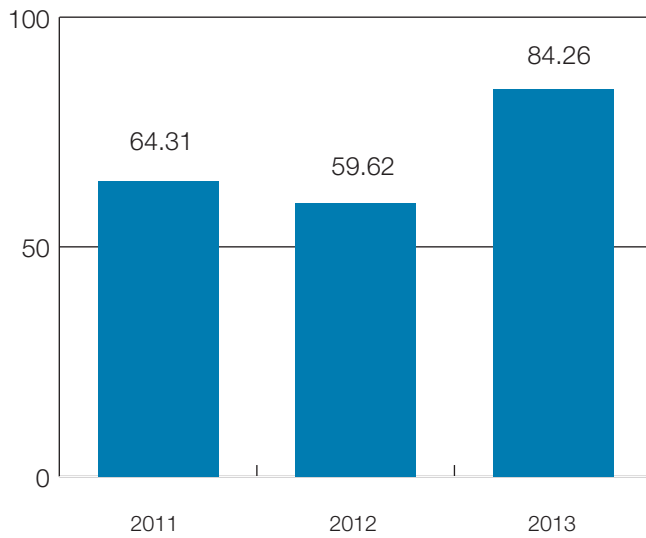
(i) Major accounting data and financial indicators for the past three years

Items	2013	2012	Increase (%)	2011
Operating results (RMB'000)				
Revenue and other income	8,426,229	5,961,560	41.34%	6,431,039
Profit before income tax	2,893,018	1,886,313	53.37%	2,260,978
Profit for the period — attributable to shareholders of the Company	2,135,247	1,419,779	50.39%	1,578,130
Cash flow (used in)/from operating activities	(7,936,462)	3,183,705	(349.28%)	(13,985)
Earnings per share (RMB per share)				
Basic earnings per share	0.31	0.24	29.17%	0.26
Diluted earnings per share	0.31	N/A	N/A	N/A
Profitability ratios				
Weighted average return on net assets	9.69%	8.49%	Increase 1.20 percentage points	10.36%
<hr/>				
Items	As at 31 December 2013	As at 31 December 2012	Increase (%)	As at 31 December 2011
Scale indicator (RMB'000)				
Total assets	78,284,368	64,295,585	21.76%	59,214,735
Total liabilities	52,862,702	46,736,737	13.11%	43,087,940
Accounts payable to brokerage clients	36,451,282	39,745,629	-8.29%	41,231,089
Equity attributable to shareholders of the Company	25,174,828	17,429,859	44.44%	16,004,139
Total share capital (in thousand shares)	7,537,259	6,000,000	25.62%	6,000,000
Net assets value per share attributable to shareholders of the Company (RMB per share)				
	3.34	2.90	15.17%	2.67
Gearing ratio(%)¹	39.23%	28.48%	Increase 10.75 percentage points	10.33%

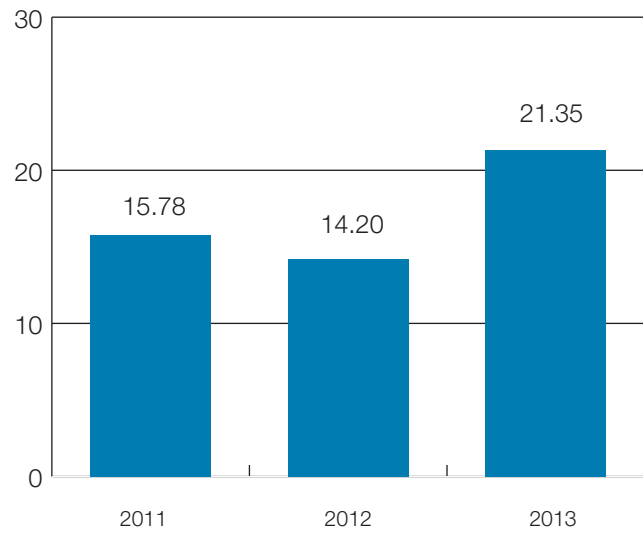
1 Gearing ratio = (total liabilities — accounts payable to brokerage clients)/(total assets — accounts payable to brokerage clients)

SECTION IV SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

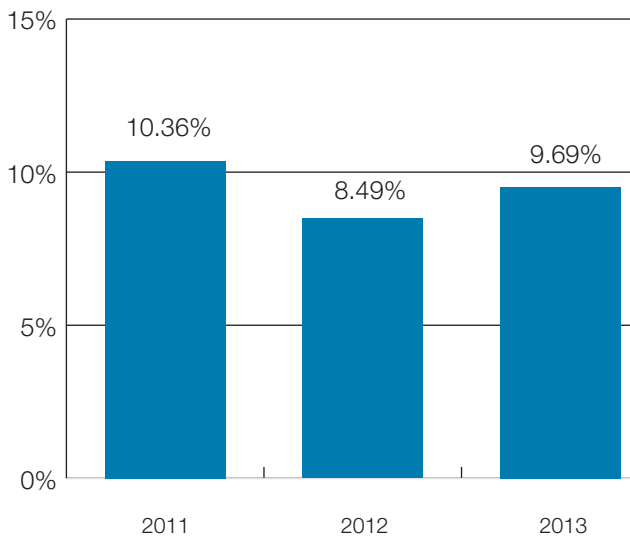
**Revenue and other income
(RMB in 100 million)**



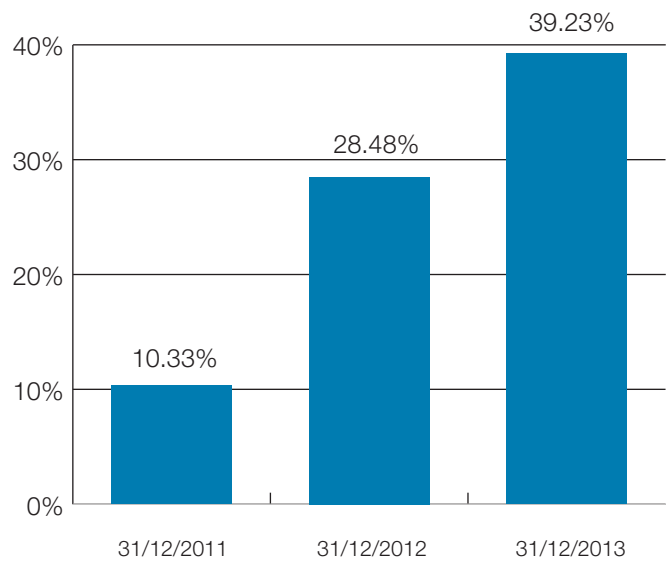
**Profit for the year – attributable to shareholders
of the Company
(RMB in 100 million)**



Weighted average return on net assets (%)



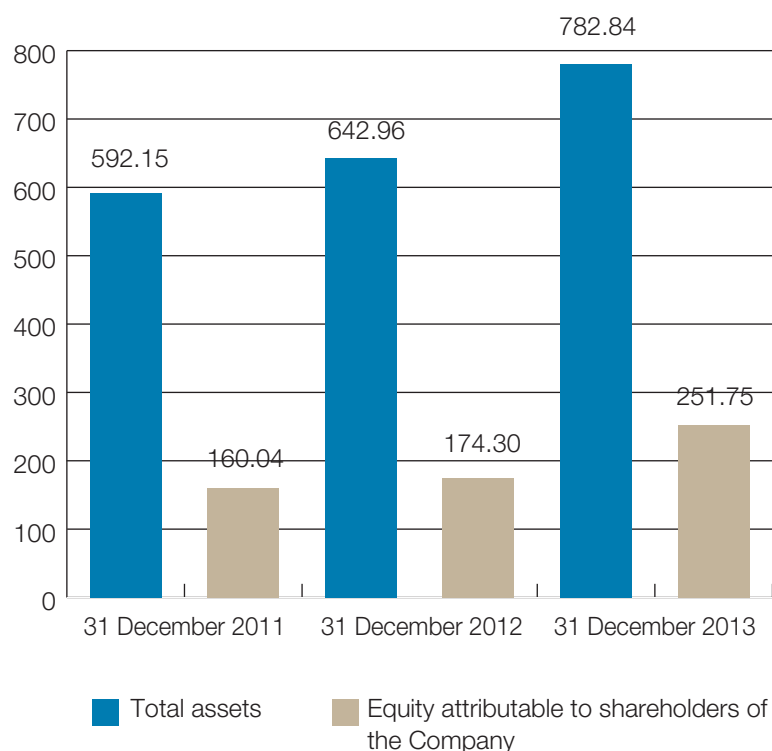
Gearing ratio (%)





SECTION IV SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

Scale indicator (RMB 100 million)



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

Profit status (RMB in thousand)

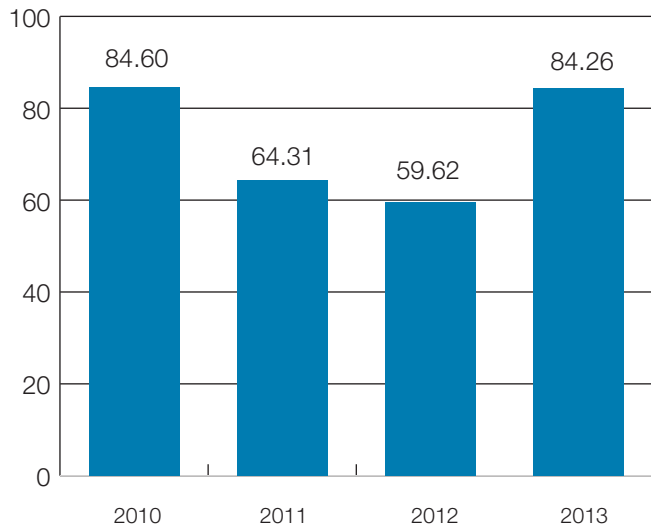
	2013	2012	2011	2010
Revenue and other income	8,426,229	5,961,560	6,431,039	8,460,182
Total expenses	5,532,877	4,075,247	4,170,061	4,569,555
Profit before income tax	2,893,018	1,886,313	2,260,978	3,890,627
Profit for the period — attributable to shareholders of the Company	2,135,247	1,419,779	1,578,130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

Condition of assets (RMB in thousand)

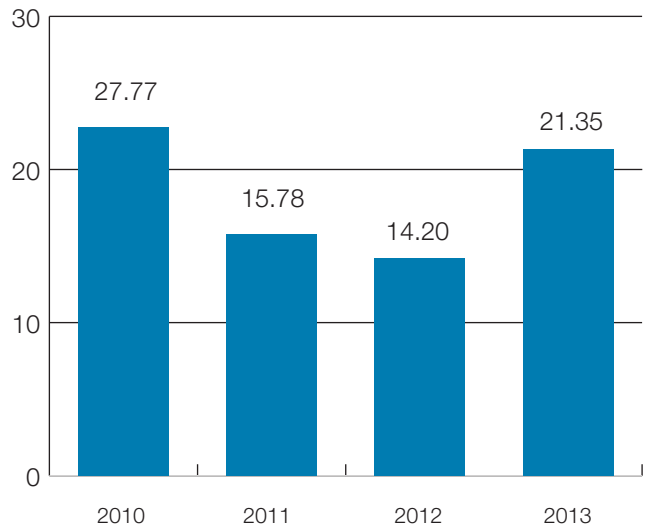
	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010
Total assets	78,284,368	64,295,585	59,214,735	94,264,529
Total liabilities	52,862,702	46,736,737	43,087,940	79,719,851
Accounts payable to brokerage clients	36,451,282	39,745,629	41,231,089	76,794,509
Equity attributable to shareholders of the Company	25,174,828	17,429,859	16,004,139	14,460,235
Total Share capital	7,537,259	6,000,000	6,000,000	6,000,000

SECTION IV SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

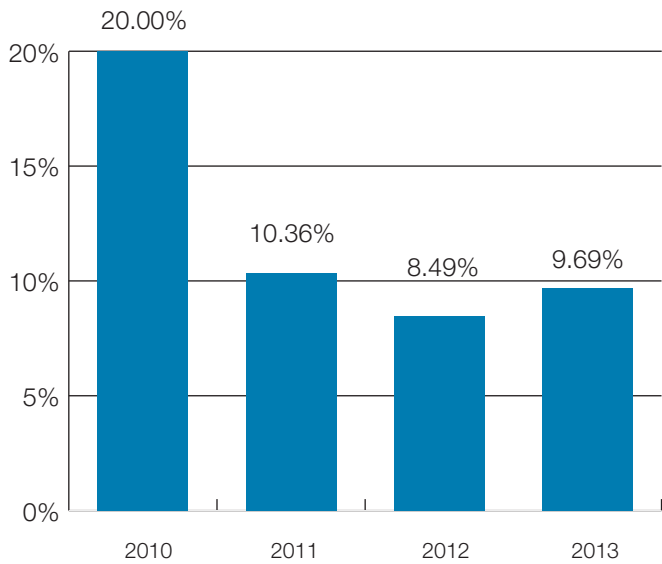
**Revenue and other income
(RMB in 100 million)**



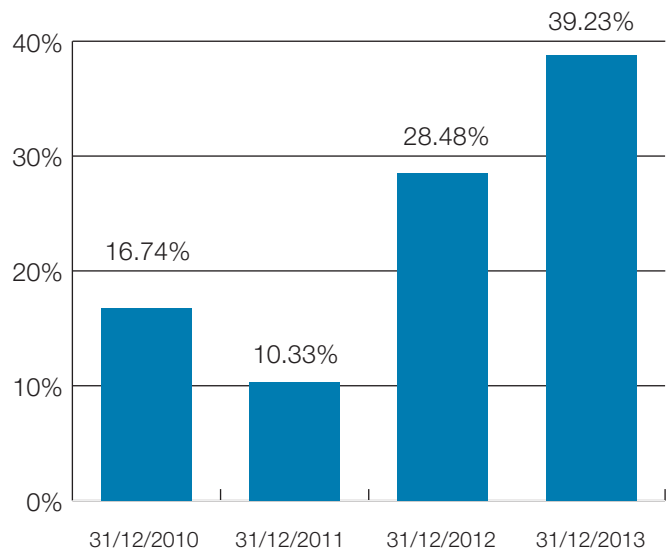
**Profit for the year – attributable to shareholders of
the Company
(RMB in 100 million)**



Weighted average return on net assets (%)



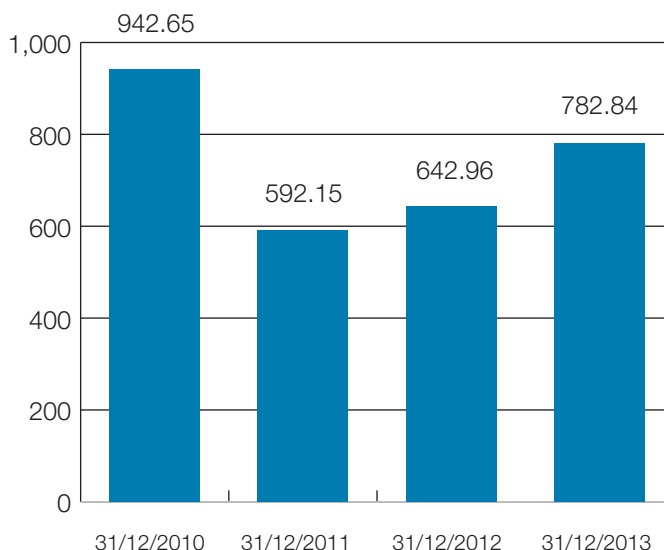
Gearing ratio (%)



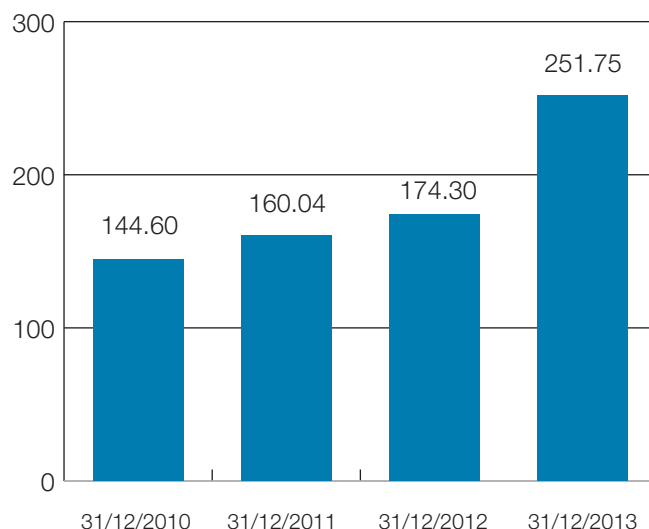


SECTION IV SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

Total assets
(RMB in 100 million)



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



Key financial indicators

	2013	2012	2011	2010
Basic earnings per share	0.31	0.24	0.26	0.46
Diluted earnings per share	0.31	N/A	N/A	N/A
Weighted average return on net assets	9.69%	8.49%	10.36%	20.00%
	31 December 2013	31 December 2012	31 December 2011	31 December 2010
Gearing ratio (%)	39.23%	28.48%	10.33%	16.74%
Net assets value per share attributable to shareholders of the Company (RMB per share)	3.34	2.90	2.67	2.41

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

There is no difference between the net profits for 2013 and 2012, the net assets as of 31 December 2013 and 31 December 2012 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.

SECTION IV SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

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

The net capital of the Company as at 31 December 2013 was RMB20,481 million, representing a 51.62% increase as compared with RMB13,508 million as at 31 December 2012. During the Reporting Period, each kind of risk control indicators including net capital met regulatory requirements.

RMB

Items	31 December 2013	31 December 2012
Net capital	20,481,446,168.26	13,508,295,357.27
Net assets	25,039,073,794.83	17,341,937,646.07
Total Risk Capital Reserves	2,253,220,314.41	2,038,828,858.39
Net capital/total Risk Capital Reserves	908.99%	662.55%
Net capital/net assets	81.80%	77.89%
Net capital/liabilities	133.37%	199.64%
Net assets/liabilities	163.04%	256.29%
Proprietary equity securities and securities derivatives/net capital	12.73%	9.92%
Proprietary fixed income securities/net capital	67.52%	76.39%



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

I. ECONOMIC ENVIRONMENT AND MARKET CONDITIONS DURING THE REPORTING PERIOD

The global economy recovered in a slow pace. Among the developed economic entities, the economic growth of the US was relatively strong and the economy of Euro zone recovered from the bottom while its internal conflicts intensified. Japan's economy rebounded under the stimulus from ultra-loose monetary policies, but it is hard to solve the structural imbalance and population problems. The economy of emerging economic entities showed relative weakness due to the influences arisen from expected exit of QE and their structural problems. In 2013, the Chinese economy was on the track of steady development and growth, with an increase in GDP for the year by 7.7% on a year-on-year basis. Prices remained stable with the CPI for the year rising 2.6%. The exchange rate of RMB remained on a stable uptrend with the effective exchange rate cumulatively increasing by 7.89% and nominal effective exchange rate cumulatively increasing by 7.18% for the whole year. The overall deployment on reforms has been made at the Third Plenary of the 18th Central Committee of Communist Party of China, which will further stimulate the driving force for the economic and social development.

The securities market in 2013 remained sluggish with obvious structural fragmentation, and the bond market started the year on a bullish note before retreating subsequently. On the stock market, the SHCI declined by 6.75% in the whole year, while the index of growth enterprise market surged significantly by 82.73%. The growth stocks represented by the media, electronic and communication segments greatly outperformed the index, while the traditional cyclical industries subsided. For the trading volume, the trading volume of stocks and funds was RMB95.46 trillion in 2013, representing a 52% increase year on year. For the financing amount, since the A Share IPO was suspended in 2013, the listed companies raised funds through rights issue and placing of shares amounting to RMB407.407 billion, representing a 11.35% decrease year on year. In respect of margin financing and securities lending, the balances as at the end of 2013 reached RMB346.527 billion, increasing by 287.11% year on year. For the bond market, the yield of 10-year MOF debt rose by 97.93 bps in the whole year, closing at 4.5558%. In 2013, the number of newly issued bonds was 3,644 with principal amounts of RMB9.02 trillion. As at the End of 2013, there were a total of 7,221 bonds in issue with balances of RMB29.94 trillion, representing an increase of 35% and 14.1% respectively.

II. ANALYSIS OF MAJOR BUSINESS

The business of the Group includes brokerage, sales and trading business, investment banking business, investment management business and overseas business.

(i) Brokerage, sales and trading business

1. Securities brokerage

During the Reporting Period, the revenue and other income from the securities brokerage business of the Group amounted to RMB6.174 billion, representing an increase of 51.28% as compared with 2012.

Market environment

In 2013, the overall trading in the stock market was active. For the whole year, the annual trading volume of stocks and funds amounted to RMB95.46 trillion, and the daily average trading volume of stocks and funds amounted to RMB200.5 billion, representing an increase of 52% as compared with 2012. The overall commission rate in the industry basically maintained stable, yet since the fourth quarter as new branches approved in the first half of the year commenced business, participation of internet finance increased and individual brokers lowered their commission as a competition strategy, competition of the industry intensified and the level of commission has declined from some extent.

SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Operation initiatives and results

The Company actively responded to the increasingly fierce market competition and ensured a stable market position in traditional brokerage business. During the Reporting Period, our net revenue of securities brokerage business ranked the first in the industry. The trading turnover of stocks and funds amounted to RMB4.93 trillion with a Market Share of 5.16%, representing an increase of 0.4% as compared with 2012 and ranking the second in the industry. With the “customer oriented” principle, the Company kept improving customer services and product series, and provided differentiated services based on the needs of different types of individual clients. The customer dependence and satisfaction kept improving. As at 31 December 2013, the Company had totally 5,647,500 clients. The market value of securities in our accounts amounted to RMB1.68 trillion with a Market Share of 6.7%, maintaining the first in the industry.

The Company actively promoted business transformation, strived to establish a wealth management platform for clients and improved client values. The Company attached great importance to customer service, built the investment advisor team, established the MOT (Moment of Truth) system, enhanced customer service capability and standard and fully explored the values of existing clients. The Company also actively promoted the sale of financial products to increase customer satisfaction and dependence. During the Reporting Period, the financial product distribution of the Company amounted to RMB8.4 billion, representing an increase of RMB2.509 billion; the daily average inventory of cash products amounted to RMB13.26 billion, well over RMB10 billion. In response to the impact of internet marketing, the Company vigorously promoted online account opening, enriched customer experience, optimized the process and enhanced the efficiency of account opening. Meanwhile, the Company believes that physical business premises are the contact points for customer services and the places to receive information and feedback for various businesses, and the Company has accelerated the preparation of branches with new style. During the Reporting Period, the Company completed preparation and construction of 5 new branches, and the applications for another 107 branches were approved (including 100 securities branches and 7 branch companies), maintaining the leading position in network coverage.

Item	2013	2012	Increase/ Decrease
Ranking by the net revenue of securities brokerage business	1	1	—
Stocks and funds trading turnover (RMB in 100 million)	49,300.17	32,886.89	49.91%
Agency sales of financial products (RMB in 100 million)	84	59	42.37%
Daily average inventory of cash products (RMB in 100 million)	132.6	94.4	40.47%

Item	As at 31 December 2013	As at 31 December 2012	Increase/ Decrease
Number of clients (in 10 thousand)	564.75	551.35	2.43%
Market value of securities in the accounts (RMB in trillions)	1.68	1.84	-8.70%



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

The Company improved and optimized the business system and procedures for margin financing and securities lending business, implemented electronic approval procedures for credit checking and granting, formulated the procedures for remotely witnessed opening of margin accounts, and kept promoting new products and services. The Company enhanced development of clients, improved the risk control system, and fulfilled the commitment to use the proceeds for margin financing and securities lending business. During the Reporting Period, the turnover of the margin trading amounted to RMB724.219 billion; as at the end of the Reporting Period, the Company had a balance of the margin financing and securities lending of RMB17.795 billion with a Market Share of 5.14%, 74,176 margin accounts and a credit granting scale of RMB84.25 billion for margin financing and securities lending. During the Reporting Period, interest income from the margin financing and securities lending business of the Company was RMB1.072 billion, representing an increase of 208% compared to 2012. The margin financing and securities lending business has become an important source of revenue of the Company.

Item	As at 31 December 2013	As at 31 December 2012	Increase/ Decrease
Balance of margin financing and securities lending (RMB in 100 million)	177.95	53.77	230.95%
Number of margin account (account)	74,176	26,244	182.64%
Total credit amount (RMB in 100 million)	842.50	235.99	257.01%

Item	2013	2012	Increase/ Decrease
Turnover of margin trading (RMB in 100 million)	7,242.19	1,940.99	273.12%

The Company expanded the revenue channel of the investment research and institutional sales business, representing a great increase in the positions of three business lines including funds, QFII and insurance as compared with 2012. The Company ranked the fifth in “The Most Influential Research Institution” by New Money, ranked the sixth in “Best Local Research Team” in 2013. A total of 8 analysts and 1 sales manager were on the list. The number and quality of research reports improved rapidly. Currently, there are 5 QFII institutional customers trading on line. The service of insurance business line has covered 19 insurance asset management companies and the asset management departments of 21 insurance companies.

Prospects for 2014

In 2014, the Company will continue to strengthen its leading position in securities brokerage business, actively cope with the challenges from the reforms of the industry and internet finance, establish core competitiveness of IT team and accelerate innovation and transformation. The Company will also integrate resources of internet finance, IT, etc. to establish an online marketing and service team which will improve the influence of its brand. It will strengthen the investment advisor team, accelerate the promotion and use of the MOT system, fully explore the values of existing clients and reinforce the market position of its traditional business. The Company will actively introduce and cultivate high-end institutional clients, promote PB (prime brokerage) business, advance the development of quantitative trading business, perfect client structure, trading structure and revenue structure. It will continue to strengthen the promoting role of financial product sales in business transformation, actively conduct research and development, introduce high-quality financial products, improve the array of financial products, strengthen after-sale services to increase the loyalty of clients. The Company will fully exert the capital-based intermediary functions, expand business scope and cultivate new sources of profit growth.

SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

The Company will steadily develop the margin financing and securities lending business; further improve relevant business system, optimize business procedures and system functions with respect to the margin financing and securities lending business; expand the group of margin customers, enhance cultivation and service of key clients; develop research on the securities lending business and improve the efficiency for use of the securities sources of the Company; strengthen the research on innovative business of asset securitization, and promote the realization of the asset securitization of the economic interests of the Company from the margin financing and securities lending.

The Company will further strengthen the positive development trend of the investment research and institutional sales business; maintain the Market Share of publicly-raised funds while vigorously expand other institutional clients. The Company will accelerate the transformation on the basis of maintaining the market influence of its investment research business, and meanwhile, make innovations in the way of generating revenues and form diversified revenues through financial consulting, sales of reports and transformation services.

2. Futures brokerage

Market environment

Along with the successive launches of spot contracts, MOF bonds, crude oil, options and overseas business, the market pattern of the entire futures industry is changing revolutionarily. Meanwhile, the industry concentration rises steadily, and the polarization is more obvious. The business and profit in futures industry will mainly come from innovative business in the future. The risks faced by futures companies will turn to market risks from operational risks.

Operation initiatives and results

On the basis of reinforcing the brokerage business, Galaxy Futures made active preparations for innovative business and increased new sources of profit growth. In terms of traditional business, Galaxy Futures continued to promote the layout of nationwide network, enhanced supporting service for IB business; in terms of innovative businesses, Galaxy Futures established cooperative relations with QFII clients, various insurance asset management companies, securities companies, funds companies and trust companies; Galaxy Futures cooperated with Galaxy International Holdings in developing overseas business; steadily promoted the business of asset management. During the Reporting Period, the revenue and other income from Galaxy Futures amounted to RMB623 million, representing an increase of 19.57% as compared with 2012; daily average interest of futures brokerage customers amounted to RMB7.371 billion; the trading volume and turnover of the futures brokerage business amounted to 56 million and RMB7.83 trillion calculating one side of a trade only; the number of branches increased from 22 to 24; the registered capital increased to RMB1.2 billion, receiving A rating in classification for consecutively four years with the overall ranking rising from the seventh in 2012 to the sixth.

Item	2013	2012	Increase/ Decrease
Daily average interest of customers (RMB in 100 million)	73.71	54.16	36.10%
Trading volume (in 10 thousand)	5,646.16	3,804.16	48.42%
Trading turnover (RMB in trillions)	7.83	4.81	62.79%

Prospects for 2014

In 2014, Galaxy Futures will focus on expanding the scale of futures margin trading, intensify and expand traditional business by improving its professional service ability of brokerage business, explore the service model for investment consulting services, improve the scale of asset management business and establish subsidiaries of risk management to serve the real economy; persistent in compliance, maintain current rating and strive for a higher rating, devoted to gathering powers for its developments of medium and long terms.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

3. Proprietary trading and other securities trading services

During the Reporting Period, the revenue and other income from the proprietary trading and other securities trading services of the Group amounted to RMB824 million, representing an increase of 112.37% compared with 2012.

Market environment

In 2013, A Share market declined after rising first, slowly recovered from the bottom in the middle of the year and the SHCI closed at 2,115.98 points, representing a decrease of 153.15 points or 6.75% compared with the end of 2012. Affected by various factors such as interest rate liberalization, de-leverage of financial system, stricter market supervision, etc. the interest rates in the bond market peaked again and again, with short mood pervading in the market. After a small rise in the first half of the year, bond price fell down rapidly in the second half of 2012. China bond composite index (net price) fell by 4.65% as compared with the end of 2012, a record fall since 2002.

Operation initiatives and results

(1) *Equity investment*

Based on the work plan of “developing into a cross-market, diversified and sustainable investment business profit model”, the Company improved the research and analysis of market participated in placement of shares of a lot of companies and focused on investment in the industries of securities, iron and steel, fine chemistry and electronic information. Meanwhile, the Company established wide business channels in the market and tracked and made researches on various new businesses and new products. The equity investment business of the Company maintained a good uptrend.

(2) *Bond investment*

Based on the assessment that the economic growth would slow down and inflation would be moderate and controllable, the Company actively grasped market opportunities for bond investment, properly increased the leverage rate and chose a large category of portfolio consisting of types of credits and convertible bonds; facing the sudden market change in the second half of the year, the Company took active measures such as strict control of the scale of bond investment and raising the standards of the pool of credit bonds. In general, with respect to the bond investment business under the complicated and volatile market circumstances, the Company partially avoided the risks of large market volatility by taking a flexible and cautious operation strategy and continuous optimization of portfolio structure.

(3) *Derivatives investment*

The Company overcame difficulties in the derivatives investment business such as the market downturn and financial constraint that all the performance indicators bucked the trend. The trading turnover of securities-based lending amounted to RMB967 million. The accumulative turnover of completed initial dealer-based securities repurchase transaction amounted to RMB357 million; the transaction amount to be repurchased amounted to RMB267 million. The business of equity swap service was approved and commenced its operation. The dealer-quoted fund repurchase business of structured fund A was approved and commenced operation in small scale on a pilot basis.

SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Prospects for 2014

The Company will gradually form a multi-variety and multi-strategy proprietary trading business mode. In terms of stock proprietary trading business, the Company will focus on research, investigation and tracking, realize allocation of cross-market, multiple varieties, focus on New OTC Board and regional equity trading, expand investment channels, and utilize financial instruments to enrich the means to control risks. In terms of bond proprietary trading business, the Company will further enrich the varieties of dealer-quoted repurchase, combine the investment ability with the service for customers, and enhance prospective research on the profit model of new products. In terms of derivatives proprietary trading business, the Company will enhance the marketing of new products, maintain the leading position of its dominant businesses and create new sources of profit growth.

(ii) Investment banking business

During the Reporting Period, as affected by factors such as suspension of A Share IPO and bond market downturn, the revenue and other income of the Group from investment banking business amounted to RMB411 million, representing a decrease of 41.15% compared with 2012.

1. Equity financing and financial advisory

Market environment

According to Wind, the total amount raised in equity financing market amounted to RMB407.407 billion in 2013, representing a decrease of 11.35% compared with 2012.

Operation initiatives and results

Based on the analysis made on the development trend of the industry, the Company has been endeavouring best efforts in establishing sound foundation for investment banking business. While doing well in IPO business, the Company enhanced expansion in refinancing business, cultivated and explored merger, acquisition and reorganization business and actively made arrangements in new businesses such as New OTC Board and asset securitizations to realize a diversified business pattern. During the Reporting Period, the total amount the Company underwrote as a lead underwriter amounted to RMB8.269 billion. The Company completed 3 projects, for which it acted as the sponsor and lead underwriter, and 3 projects, for which it acted as the co-lead underwriter; the Company acted as the financial advisor for 8 projects of merger, acquisition and reorganization (3 of which were special projects for material asset reorganization); completed listing of 4 enterprises and placement of shares for 1 enterprise on the New OTC Board; recommended 20 enterprises to Beijing Equity Exchange Center Co., Ltd. for listing and 6 New OTC Board companies have completed approval procedures, which were all listed on 24 January 2014. The special asset management plan in relation to the economic interest to the income from the transportation service fee of special lines of Huaibei Mining railway was approved by CSRC, and the scale of issuance amounted to RMB2 billion. During the Reporting Period, the Company obtained the qualification of the chief agency broker of National Equities Exchange and Quotations; the project concerning acquisition of U.S. Luminus Devices by Sanan Optoelectronics, in which the Company acted as the financial advisor was awarded the “Best M&A Advisory” in 2013 “Special Award for Merger and Acquisition in China” organized by China Mergers & Acquisitions Association.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Item	2013	2012	Increase/ Decrease
Amount of equity securities underwritten as a lead underwriter (RMB in 100 million)	82.69	91.84	-9.96%
Number of equity securities underwritten as a lead underwriter	6	6	–
Number of projects acted as a financial advisor	59	38	55.26%
Number of New OTC Board projects	5	1	400%

Name of Project	Financing method	Role of the Company	Lead underwriting amount (RMB 100 million)
Zhejiang Sanlux Rubber Co., Ltd.	Private placement	Sponsor, lead underwriter	3.90
Chinese Universe Publishing and Media Co., Ltd.	Private placement	Sponsor, lead underwriter	12.85
Shenzhen Neptunus Bioengineering Co., Ltd.	Private placement	Sponsor, Co-lead underwriter	5.88
Fangda Carbon New Material Co., Ltd.	Private placement	Co-lead underwriter	12.15
Hafei Aviation Industry Co., Ltd.	Private placement	Lead underwriter	10.95
Ping An Bank Co., Ltd.	Private placement	Co-lead underwriter	36.96
Total	–	–	82.69

Prospects for 2014

The Company will adapt to the market-oriented reform for IPO, and well explore and make preparations for IPO, refinancing and merger, acquisition and reorganization businesses; actively track new businesses such as asset securitization and preferred shares; realize the transformation of the profit mode of investment banking business from traditional channel-based intermediary mode to the transactional mode of “channel-based + professional + capital”; establish the online, market-oriented interconnection development system for the New OTC Board business of the Company and construct the operation mode and structure of OTC business and all-business chains.

2. Debt securities financing

Market environment

Since the “bond market storm” commencing in April 2013, the “money shortage” in the end of June 2013 and “audit of local debts” at the beginning of August 2013, the bond market was extremely depressed; the shrinkage of volume in the secondary market drove a large rise of yield rates, led to increasing cost of issuance of new debt equities. Many enterprises had to choose to delay the date of issuance, or to reduce the scale of issuance or issue by installments or raise the interval of interest rate to increase the interest rates. Under such circumstance, for some bonds, even the lead underwriter had to underwrite all the balance. The primary market of bonds kept depressing. In 2013, enterprises totally issued 370 enterprise bonds, with total financing amount of RMB625.230 billion, representing a decrease of more than 20% respectively as compared with 2012 of 472 and RMB799.931 billion.

SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Operation initiatives and results

In 2013, the bond market was greatly affected. The Company promoted its debt financing business steadily, within the turbulent market environment, and was not involved in any risk events. During the Reporting Period, the Company underwrote a total of 16 enterprise bonds, and the amount underwritten as a lead underwriter amounted to RMB24.653 billion; 2 corporate bonds, and the amount underwritten as a lead underwriter amounted to RMB8.333 billion; 1 short-term notes, and the amount underwritten as a lead underwriter amounted to RMB350 million; in addition, the Company issued 2 tranches of short-term notes and 5 tranches of subordinated bonds, with a total amount of RMB11.7 billion; the total amount underwritten as a lead underwriter amounted to RMB45.036 billion. Another 6 debt underwriting projects obtained approval but were all extended due to the market environment.

Item	2013	Number of issuance	2012	Number of issuance
	Amount underwritten as a lead underwriter (RMB in 100 million)		Amount underwritten as a lead underwriter (RMB in 100 million)	
Enterprise bonds	246.53	16	574.82	33
Corporate bonds	83.33	2	84.27	3
Short-term notes	73.50	3	—	—
Subordinated bonds	47.00	5	—	—
Total	450.36	26	659.09	36

Prospects for 2014

In 2014, the Company will continue to expand special project of bond issuance of large central enterprises and local high-quality enterprises, explore new special debt projects for listed companies, actively develop various debt securities business such as underwriting of medium and short-term notes, explore new projects to act as financial advisor for insurance investment plans and expand the sources of income from debt securities financing business.

(iii) Investment management business

1. Asset management

Market environment

The new rules of CSRC lessened regulations, cancelled the administrative approval of collective asset management plans, properly expanded the investment scope and application form of asset management, and allowed securities companies to provide asset custody service for asset management business. New measures and supporting implementation measures provided good space for the innovation of the asset management business of securities companies.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Operation initiatives and results

The Company seized development opportunities for its asset management business that the assets under management grew rapidly, product variety was increasingly enriching and number of products increased sharply. During the Reporting Period, revenue and other income from the asset management business amounted to RMB137 million, representing an increase of 205.06% as compared with 2012. The assets under management increased to RMB26.279 billion, among others, the scale of collective asset management amounted to RMB7.652 billion and the scale of targeted asset management amounted to RMB18.627 billion. The Company had 65 management products (including: 31 collective products and 34 targeted products). The Company obtained the qualification for engagement in entrusted insurance fund management business and a foreign exchange credit of USD400 million. The Company actively promoted the application and preparation for the asset management subsidiary.

Item	2013		Quantity	2012		Quantity
	Scale (RMB in 100 million)	Net value (RMB in 100 million)		Scale (RMB in 100 million)	Net value (RMB in 100 million)	
Collective asset management business	76.52	74.67	31	31.62	29.49	11
Targeted asset management business	186.27	187.91	34	131.51	131.73	10

Prospects for 2014

In 2014, the Company will enhance its ability to design products of asset management business, form fixed-income product line, channel-based product line, equities-based, money-based and active management-based product lines to satisfy the demands of different customers for asset management; enhance the construction of investment and research abilities, improve ability of active management and form a stable business and profit mode; enhance the investment and financing business cored with underlying assets and alternative investment businesses; increase the operation leverage of capital funds and make active preparation for the establishment of the asset management subsidiary.

2. Private equity investment

Market environment

The macroeconomic environment and the capital market remained weak, and local limited partnership (LP) groups were generally cautious and conservative in investment allocation, leading to the continuous weakness in raising funds in venture capital/private equity market in China. The scale of funds to be raised shrunk largely. Under the circumstance that A Share IPO did not re-initiated, merger and acquisition exit grew rapidly, the return on PE exit slumped. However, the acceleration of expansion of New OTC Board and the increasing improvement of core system since 2013 were good for revitalizing the market, which brought new opportunities for venture capital/private equity; and meanwhile, the transition of IPO from approval system to registration system might promote venture capital/private equity institutions to gradually move their investment into early stages, and reverting to value investment; on the other hand, the acceleration of new share offering will expand the exit channels of venture capital/private equity. The difficulty of investment institutions in exit will be remarkably lessened.

SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Operation initiatives and results

The private equity investment business of the Company began to transform from single direct equity investment to a diversified investment mode, actively explored new businesses such as merger and acquisition or mezzanine financing, debt investment and other investment funds in connection with equity investment and debt investment. Meanwhile, the Company enhanced the post-investment management for invested special projects, and explicitly defined the double-line paralleled post-investment management mode of “investment + risk control”. During the Reporting Period, the revenue and other income of Galaxy Capital amounted to RMB10 million, representing a decrease of 61.92% as compared with 2012; the Company newly increased 74 special projects for reserve. The industry investment funds, which are invested and controlled by the Company, completed the registration for establishment and were named “Galaxy Yueke Fund Management Co., Ltd.” and “Galaxy Yueke (Guangdong) Industry Investment Fund (Limited Partnership)”, respectively. During the Reporting Period, Galaxy Capital made impairment provision of RMB147.5 million for four direct investment projects including Xiamen Fang Chang Industrial Co., Ltd. due to observed signals of impairment such as weakened competitiveness and deteriorated financial condition in some invested projects.

Prospects for 2014

In 2014, the Company will implement an active strategic transformation on the private equity investment business from Pre-IPO equity investment to a diversified investment mode covering equity investment, merger and acquisition, mezzanine financing and debt investment in connection with equities. The Company will constantly explore the investment business field of the Company by studying and exploring new business mode and new investment instruments, construct various exit channels and create new core competitiveness.

(iv) Overseas business

Market environment

In terms of the global market, U.S. stock market continued to benefit from its domestic economic recovery and maintained a good uptrend; European market was as good as U.S. market; Nikkei Index beat U.S. and European markets with an accumulative rise of 58%, which was also a record high in the past six years. In terms of domestic market, along with the opening of Shanghai Free Trade Zone, major financial reforms such as liberalization of interest rates, liberalization of foreign exchange and free convertibility of RMB will be piloted in the zone; in addition, progresses were being made in opening measures for Hong Kong and Taiwan, the “new version” QDII2 was submitted to the agenda of regulatory authorities; A Share markets were opened to residents in Hong Kong, Taiwan and Macau, creating new opportunities for domestic securities companies to develop international businesses.

Operation initiatives and results

The Company seized the development opportunities in accelerating trend of bi-directional opening of Chinese capital market and RMB internationalization, and actively promoted the development of overseas businesses. As the first overseas business platform of the Company, Galaxy International Holdings maintained steady growth in all the businesses during the Reporting Period, with leading underwriting amount reaching HK\$1.757 billion. Galaxy International Holdings began to realize monthly balance of payments since April 2013 and realized revenue and other income of RMB203 million, representing a sharp increase of 504.71% as compared with 2012.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

In terms of business qualifications, China Galaxy International Asset Management (Hong Kong) Co., Limited, a wholly-owned subsidiary of Galaxy International Holdings, obtained Type 4 license (for advising on securities) and Type 9 license (for asset management) from SFC on 25 February 2013. China Galaxy International Wealth Management (Hong Kong) Co., Limited obtained the insurance broker membership issued by Hong Kong Professional Insurance Brokers Association on 23 March 2013. Galaxy International Holdings obtained the qualification of Renminbi Qualified Foreign Institutional Investor (RQFII) approved by CSRC on 6 January 2014.

Prospects for 2014

The Company will, in light of actual circumstances, fully utilize diversified business platform and abundant customer group resources, further enhance the interactivity and interconnection among the parent company and Hong Kong subsidiaries, open up business channels, exert collaboration functions, enhance awareness of innovation, study and design products and services that can satisfy the diversified investment and financing demands of domestic and overseas customers, actively seek for and seize opportunities to develop overseas businesses and gradually improve the level of overseas profitability.

III. ANALYSIS ON THE FINANCIAL STATEMENTS

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

During the Reporting Period, the Company seized innovation and development opportunities in the industry, obtained favorable results and recorded comparative growth in operating income and net profit by dint of its persistence on innovation and development and implementation of strategic planning.

During the Reporting Period, our revenue and other income increased by 41.34% to RMB8.426 billion in 2013 compared with 2012; our net profits attributable to shareholders of the Company increased by 50.39% to RMB2.135 billion compared with 2012; our earnings per share amounted to RMB0.31, representing an increase of 29.17% compared with 2012 and the weighted average return on net assets amounted to 9.69%, representing an increase of 1.20% compared with 2012.

(ii) Asset structure and quality

As at the End of the Reporting Period, total assets of the Group amounted to RMB78.284 billion, representing an increase of 21.76% as compared with RMB64.296 billion as at the end of 2012; total liabilities amounted to RMB52.863 billion, representing an increase of 13.11% as compared with RMB46.737 billion as at the end of 2012; equity attributable to shareholders of the Company amounted to RMB25.175 billion, representing an increase of 44.43% as compared with RMB17.430 billion as at the end of 2012; among which, equity, as supplemented by the proceeds from the listing of the H Shares of the Company, increased by RMB6.336 billion.

SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Asset structure remained stable while asset quality and liquidity remained satisfactory. At the end of the Reporting Period, compositions of Group's total assets were: cash assets of RMB40.298 billion, mainly including bank balances, clearing settlement funds and deposits, accounting for 51.48%; financing assets of RMB19.677 billion, mainly including advances to customers and financial assets held under resale agreements, accounting for 25.13%; financial investment assets of RMB15.872 billion, mainly including equity securities issued by corporate entities, associated companies and financial assets, accounting for 20.27%; and operational assets such as other properties and equipment of RMB2.437 billion, mainly including property and equipment, projects under construction and intangible assets, accounting for 3.11%. During the Reporting Period, the Group made corresponding provision for impairment for available-for-sale financial assets, accounts receivable and other receivables subject to impairment while there were no significant signs on impairment of other assets.

Assets and liabilities and operating leverage improved remarkably. Liabilities, excluding accounts payable to brokerage clients, amounted to RMB16.411 billion at the end of the Reporting Period, representing an increase of RMB9.420 billion, or 134.74%, as compared with 2012, primarily due to the Company's progressive innovation and development of capital-based intermediary business, active expansion of financing channels achieved and expansion of financing scale and high leverage businesses. The gearing ratio of the Group was 39.23%, representing an increase of 10.75 percentage points as compared with 28.48% as at the end of 2012. (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)); operating leverage ratio was 1.66 times, representing an increase of 17.73% as compared with 1.41 times as at the end of 2012. (Note: operating leverage ratio = (total assets – account payables to brokerage clients)/equity attributable to shareholders of the Company).

(iii) Financing channels and capability

Currently, the Company raised short-term capital primarily by means of bond repurchase, lending, issuance of short-term notes, short-term subordinated bonds and other means. Meanwhile, the Company may also finance long-term capital through follow-on offerings, rights issue, issuance of corporate bonds and other ways approved by relevant authorities according to market climate and its own needs.

At present, the Company has achieved consolidated credit line from several commercial banks and the Company may employ the foregoing debt financing instruments in comprehensive manner for raising capital pursuant to its own needs.

(iv) Cash flow

Regardless of the change in margin deposit of clients, net increase in cash and cash equivalents amounted to RMB-1.720 billion due to the cash inflow from our financing activities in 2013 was less than the cash outflow by operating activities and investing activities.

Net cash flow from operating activities decreased by RMB11.120 billion to RMB-7.936 billion in 2013 compared with RMB3.184 billion for the same period of 2012; net cash flow from investing activities increased by RMB1.252 billion to RMB-4.578 billion in 2013 compared with RMB-5.830 billion for the same period of 2012; net cash flow from financing activities jumped by RMB10.793 billion to RMB10.795 billion in 2013 compared with RMB2 million for the same period of 2012; net increase in cash and cash equivalents increased by RMB924 million to RMB-1.720 billion in 2013 compared with RMB-2.644 billion for the same period of 2012.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

(v) Operating revenue and profit analysis

1. Items of income statement

SUMMARY RESULTS OF OPERATIONS

During the Reporting Period, our profit before income tax increased by 53.37% to RMB2.893 billion compared with 2012, and the main results of operations are listed as follows:

Unit: RMB in million

Item	2013	2012	Change	Year-on-year growth rate
Revenue				
Commission and fee income	5,039.5	3,830.6	1,208.9	31.56%
Interest income	2,666.4	1,698.6	967.8	56.98%
Net investment gains	697.4	394.8	302.6	76.65%
Total revenue	8,403.3	5,924.0	2,479.3	41.85%
Other income and gains	22.9	37.6	-14.7	-39.10%
Total revenue and other income	8,426.2	5,961.6	2,464.6	41.34%
Total expenses	5,532.9	4,075.2	1,457.7	35.77%
Share of result of associated companies	-0.3	-	-0.3	N/A
Profit before income tax	2,893.0	1,886.3	1,006.7	53.37%
Income tax expense	738.1	453.8	284.3	62.65%
Profit for the year	2,154.9	1,432.5	722.4	50.43%
Net profit attributable to shareholders of the Company	2,135.2	1,419.8	715.4	50.39%

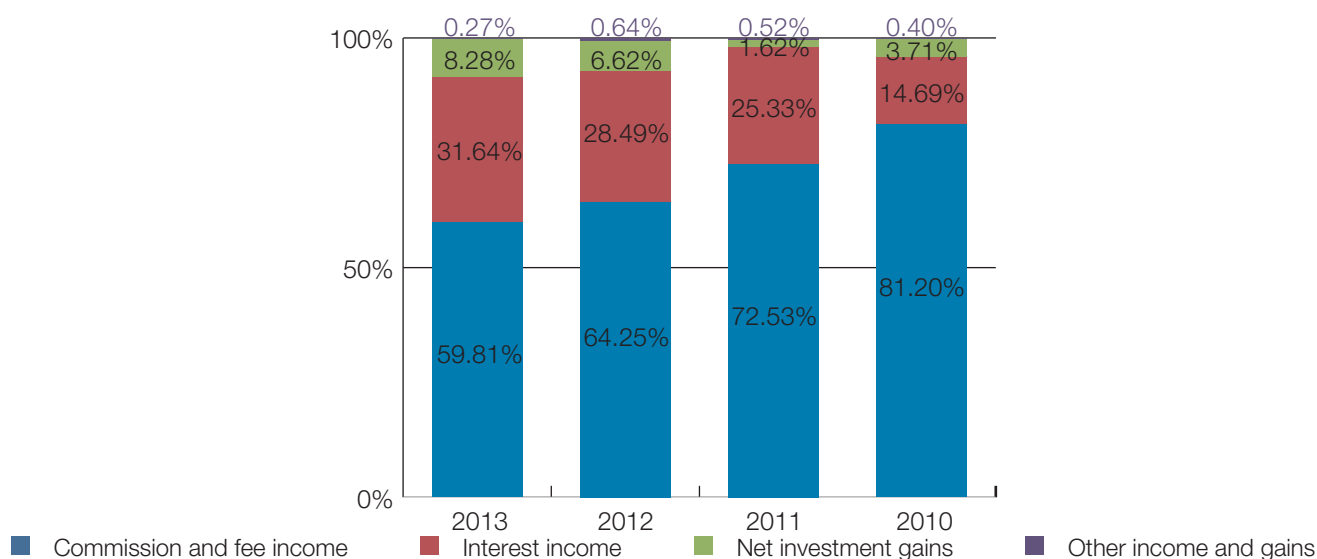
Revenue breakdown

During the Reporting Period, our total revenue and other income increased by 41.34% to RMB8.426 billion compared with 2012. Among others, commission and fee income accounted for 59.81%, representing a decrease of 4.44% compared with 2012; interest income took up 31.64%, representing an increase of 3.15% compared with 2012; net investment gains accounted for 8.28%, representing an increase of 1.66% compared with 2012. Breakdown of our Group's revenue for the recent four years is listed as follows:

Item	2013	2012	2011	2010
Commission and fee income	59.81%	64.25%	72.53%	81.20%
Interest income	31.64%	28.49%	25.33%	14.69%
Net investment gains	8.28%	6.62%	1.62%	3.71%
Other income and gains	0.27%	0.64%	0.52%	0.40%
Total	100.00%	100.00%	100.00%	100.00%

SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Illustration of revenue breakdown:



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



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

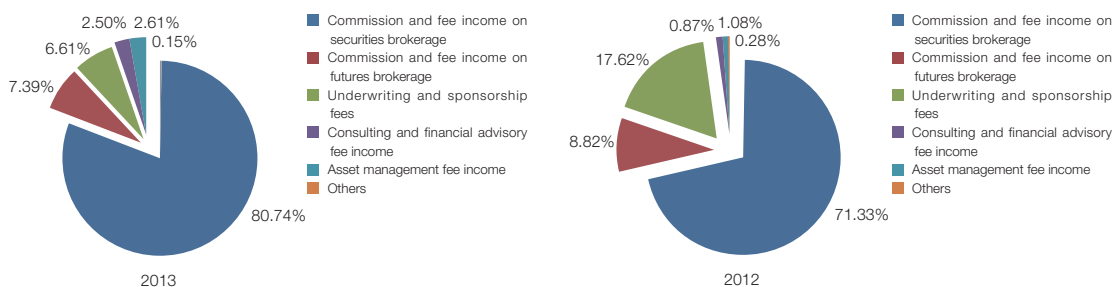
Commission and fee income

During the Reporting Period, breakdown of our commission and fee income is listed as follows:

Unit: RMB in million

Item	2013	2012	Change	Year-on-year growth rate
Commission and fee income				
Commission and fee income on securities brokerage	4,069.0	2,732.3	1,336.7	48.92%
Commission and fee income on futures brokerage	372.5	337.7	34.8	10.31%
Underwriting and sponsorship fees	333.2	674.9	-341.7	-50.63%
Consulting and financial advisory fee income	131.5	33.2	98.3	296.08%
Asset management fee income	125.7	41.2	84.5	205.10%
Others	7.6	11.2	-3.6	-32.14%
Total commission and fee income	5,039.5	3,830.5	1,209.0	31.56%
Commission and fee income expense	171.2	107.7	63.5	58.96%
Net commission and fee income	4,868.3	3,722.8	1,145.5	30.77%

The breakdown of our commission and fee income:



During the Reporting Period, our net commission and fee income increased by 30.77% to RMB4.868 billion compared with 2012, primarily due to an increase in the commission and fee income on securities brokerage.

Commission and fee income on securities brokerage increased by RMB1.337 billion or 48.92% compared with 2012, primarily due to the increase in the commission and fee income on securities brokerage under relatively stable average commission rate arising from the significant growth in daily average trading volume of stocks and funds, which was attributable to the active trading activities of the PRC's stock market in 2013.

SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Underwriting and sponsorship fee income of investment banking business decreased by RMB342 million or 50.63% compared with 2012, primarily due to a significant fall in the overall financing turnover in the domestic market in 2013 under the comprehensive impact of A Share IPO suspension, macroeconomic environment and the reform of interest rate liberalization, especially in the substantial fall of bond financing volume.

Consulting and financial advisory fee income of investment banking business increased by RMB98 million or 296.08% compared with 2012, mainly benefited from seizing the opportunities of growth in the merger & acquisition market and proactively cultivating and developing merger, acquisition and reorganization business which produced good results and offset a portion of the decrease in underwriting and sponsorship fee income from some extent.

Commission and fee income of asset management business increased by RMB85 million or 205.10% compared with 2012, primarily due to a significant increase in the amount of asset under management as the control and regulation of asset management business has eased.

Interest income

During the Reporting Period, our net interest income grew by 39.61% to RMB1.982 billion compared with 2012. Breakdown of our net interest income in 2013 is listed as follows:

Unit: RMB in million

Item	2013	2012	Change	Year-on-year growth rate
Interest income				
Deposits and bank balances of exchanges and non-bank financial institutions	1,453.5	1,313.4	140.1	10.67%
Advances to customers and securities lending	1,102.0	355.2	746.8	210.25%
Financial assets held under resale agreements	110.9	30.0	80.9	269.67%
Total interest income	2,666.4	1,698.6	967.8	56.98%
Interest expenses	684.6	279.1	405.5	145.29%
Net interest income	1,981.8	1,419.5	562.3	39.61%

Interest income from deposits with exchanges and a non-bank financial institution, and bank balances increased by RMB140 million compared with 2012, representing an increase of 10.67%, primarily due to the increase arising from rate spread on client margin deposits more than offset the decrease due to a reduced size.

Interest income from advances to customers and securities lending increased by RMB747 million compared with 2012, representing an increase of 210.25%, primarily due to an increase in the scale of margin financing and securities lending business.

Interest income from financial assets held under resale agreements increased by RMB81 million compared with 2012, representing an increase of 269.67%, primarily due to an increase in the scale of securities-based lending product (Jin Shi Yu) and dealer-quoted securities repurchase business (Xin Shi Yu).



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Net investment gains

During the Reporting Period, our net investment gains increased by 76.65% to RMB697 million compared with 2012. Breakdown of our net investment gains in 2013 is listed as follows:

Unit: RMB in million

Item	2013	2012	Change	Year-on-year growth rate
Net investment gains				
Net realized (losses)/gains from disposal of available-for-sale financial assets	147.5	5.4	142.1	2,631.48%
Dividend income and interest income from available-for-sale financial assets	375.4	157.4	218.0	138.50%
Investment gains from accounts receivable	0.8	—	0.8	N/A
Net realized (losses)/gains from financial assets at fair value through profit or loss*	-202.4	-196.8	-5.6	-2.85%
Dividend income and interest income from financial assets at fair value through profit or loss	505.9	386.1	119.8	31.03%
Unrealized fair value change of financial instruments at fair value through profit or loss	-129.8	42.7	-172.5	-403.98%
Total	697.4	394.8	302.6	76.65%

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

Realised net gains on disposal of available-for-sale financial assets increased by RMB142 million or 26 times compared with 2012, primarily due to our participation in a number of share placements with significant profits in some cases.

Dividend and interest income from available-for-sale financial assets increased by RMB218 million or 138.50% compared with 2012, primarily due to our expanding of the dealer-quoted bond repurchase business.

Dividend and interest income from financial assets held at fair value through profit or loss increased by RMB120 million compared with 2012, primarily due to increase in bonus income from our investment funds and increase in interest income as a result of a larger scale of bond investment.

Unrealised gains on change in fair value of financial assets at fair value through profit or loss decreased by RMB173 million, primarily due to the fall in market value of bonds following the change in bond market condition in the second half of the year.

SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Operating expenses

During the Reporting Period, our operating expenses (regardless of fee and commission expenses and interest expenses) increased by 26.80% to RMB4,677 million compared with 2012. Main compositions of our operating expenses are listed as follows:

Unit: RMB in million

Item	2013	2012	Change	Year-on-year growth rate
Operating expenses				
Depreciation and amortization	218.8	283.8	-65.0	-22.90%
Staff costs	2,490.5	1,870.8	619.7	33.12%
Other operating expenses	1,775.6	1,506.9	268.7	17.83%
Impairment losses	192.2	27.0	165.2	611.85%
Total	4,677.1	3,688.5	988.6	26.80%

Depreciation and amortization decreased by RMB65 million compared with 2012, representing a decrease of 22.90%, primarily due to the completed depreciation or amortization in respect of some of the Company's property and equipment and intangible assets.

Staff costs increased by RMB620 million compared with 2012, representing an increase of 33.12%, primarily due to an increase in bonus for improving performance in 2013.

Other operating expenses increased by RMB269 million compared with 2012, representing an increase of 17.83%, primarily due to the rental increase and growth in the business advertisement cost as a result of the H Share listing.

Impairment losses of assets increased by RMB165 million to RMB192 million compared with 2012, details of which are listed as follows:

Unit: RMB in million

Item	2013	2012	Change	Year-on-year growth rate
Impairment losses				
Allowance for/(reversal of) impairment loss in respect of accounts receivable	7.7	-13.8	21.5	-155.80%
Impairment loss in respect of other receivables	15.1	10.8	4.3	39.81%
Impairment loss in respect of available-for-sale financial assets	169.4	30.0	139.4	464.67%
Total	192.2	27.0	165.2	611.85%

The impairment loss of assets is mainly such impairment loss in respect of available-for-sale financial assets, primarily originated from such impairment loss of RMB148 million incurred from some projects of the Company's private equity investment business during the Reporting Period.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

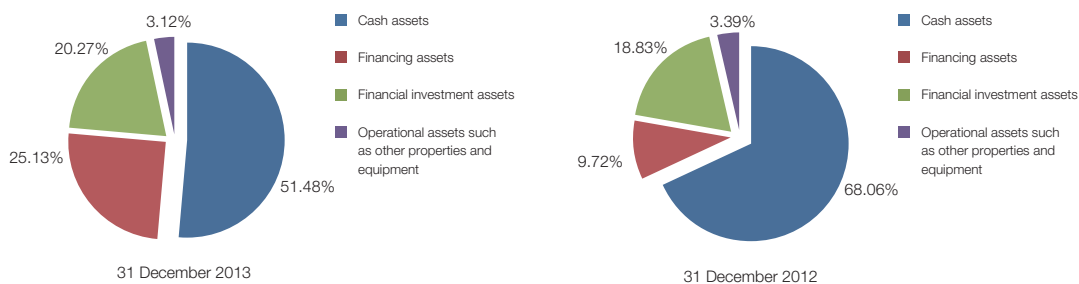
2. Asset items

As at the End of the Reporting Period, the total assets of the Group increased by 21.76% to RMB78.284 billion compared with 2012. Among which, cash assets decreased by 7.92% to RMB40.298 billion compared with 2012; financing assets increased by 214.92% to RMB19.676 billion compared with 2012; financial investment assets increased by 31.13% to RMB15.872 billion compared with 2012; and operational assets such as other properties and equipment increased by 11.77% to RMB2.437 billion compared with 2012. Major changes in our total assets are listed as follows:

Unit: RMB in million

Item	31 December 2013	31 December 2012	Change	Year-on-year growth rate
Total assets				
Cash assets	40,298.4	43,762.8	-3,464.4	-7.92%
Financing assets	19,676.6	6,248.2	13,428.4	214.92%
Financial investment assets	15,872.1	12,104.0	3,768.1	31.13%
Operational assets such as other properties and equipment	2,437.3	2,180.6	256.7	11.77%
Total	78,284.4	64,295.6	13,988.8	21.76%

The composition of our total assets:



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Cash assets

As at the End of the Reporting Period, our cash assets decreased by RMB3.464 billion or 7.92% compared with 2012, accounting for 51.48% of our total assets. The composition of our cash assets is listed as follows:

Unit: RMB in million

Item	31 December 2013	31 December 2012	Change	Year-on-year growth rate
Cash assets				
Bank balances	33,083.7	36,607.0	-3,523.3	-9.62%
Clearing settlement funds	4,373.9	4,541.5	-167.6	-3.69%
Deposits with exchanges and a non-bank financial institution	2,840.8	2,614.3	226.5	8.66%
Total	40,298.4	43,762.8	-3,464.4	-7.92%

The change in cash assets mainly was reflected in bank balances, which decreased by 9.62% to RMB33.084 billion compared with 2012, primarily due to the decrease in client margin deposits and a decrease in using our own funds to expand the scale of capital-based intermediary and investment business.

Financing assets

As at the End of the Reporting Period, our financial assets increased by RMB13.428 billion or 214.92% compared with 2012, accounting for 25.13% of our total assets. The composition of our financing assets is listed as follows:

Unit: RMB in million

Item	31 December 2013	31 December 2012	Change	Year-on-year growth rate
Financial assets				
Advances to customers	18,392.8	5,438.7	12,954.1	238.18%
Financial assets held under resale agreements	1,283.8	809.5	474.3	58.59%
Total	19,676.6	6,248.2	13,428.4	214.92%

Advances to customers increased by 238.18% to RMB18.393 billion, primarily due to a sharp increase in our margin financing and securities lending business.

Financial assets held under resale agreements increased by 58.59% to RMB1.284 billion, primarily due to growth in the scale of our securities-based lending business and dealer-quoted bond repurchase business.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Financial investment assets

As at the End of the Reporting Period, our financial investment assets increased by RMB3.768 billion or 31.13% compared with 2012, accounting for 20.27% of our total assets. The composition of our financial investment assets is listed as follows:

Unit: RMB in million

Item	31 December 2013	31 December 2012	Change	Year-on-year growth rate
Financial investment assets				
Investment in an associate	19.9	–	19.9	N/A
Loan investment	90.0	–	90.0	N/A
Available-for-sale financial assets	9,790.1	6,651.0	3,139.1	47.20%
Financial assets held for trading	5,027.3	4,622.0	405.3	8.77%
Financial assets designated as at fair value through profit or loss	942.5	831.0	111.5	13.42%
Derivative financial assets	2.3	–	2.3	N/A
Total	15,872.1	12,104.0	3,768.1	31.13%

Available-for-sale financial assets

As at the End of the Reporting Period, our available-for-sale financial assets increased by RMB3.139 billion or 47.20% compared with 2012, accounting for 12.51% of our total assets. The composition of our available-for-sale financial assets is listed as follows:

Unit: RMB in million

Item	31 December 2013	31 December 2012	Change	Year-on-year growth rate
Available-for-sale financial assets				
Debt securities	7,934.5	5,517.1	2,417.4	43.82%
Equity securities	685.3	825.8	-140.5	-17.01%
Funds	11.7	7.6	4.1	53.95%
Other investments	1,158.6	300.5	858.1	285.56%
Total	9,790.1	6,651.0	3,139.1	42.70%

SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Financial assets held for trading

As at the End of the Reporting Period, our financial assets held for trading increased by RMB405 million or 8.77% compared with 2012, accounting for 6.42% of our total assets. The composition of our financial assets held for trading is listed as follows:

Unit: RMB in million

Item	31 December 2013	31 December 2012	Change	Year-on-year growth rate
Financial assets held for trading				
Debt securities	3,269.0	3,346.5	-77.5	-2.32%
Equity securities	127.3	20.8	106.5	512.02%
Funds	1,595.0	1,060.3	534.7	50.43%
Other investments	36.0	194.4	-158.4	-81.48%
Total	5,027.3	4,622.0	405.3	8.77%

Financial assets designated as at fair value through profit or loss

As at the End of the Reporting Period, our financial assets designated as at fair value through profit or loss increased by RMB112 million or 13.42% compared with 2012, accounting for 1.20% of our total assets. The composition of our financial assets designated as at fair value through profit or loss is listed as follows:

Unit: RMB in million

Item	31 December 2013	31 December 2012	Change	Year-on-year growth rate
Financial assets designated as at fair value through profit or loss				
Convertible bonds	628.8	485.4	143.4	29.54%
Equity securities	283.5	318.1	-34.6	-10.88%
Funds	30.2	27.5	2.7	9.82%
Total	942.5	831.0	111.5	13.42%



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Operational assets such as other properties and equipment

As at the End of the Reporting Period, our operational assets such as other properties and equipment increased by RMB257 million or 11.77% to RMB2.437 billion compared with 2012, accounting for 3.12% of our total assets. The composition of our operational assets such as other properties and equipment is listed as follows:

Unit: RMB in million

Item	31 December 2013	31 December 2012	Change	Year-on-year growth rate
Operational assets such as other properties and equipment				
Property and equipment	393.7	515.6	-121.9	-23.64%
Goodwill	223.3	223.3	–	0.00%
Other intangible assets	349.3	362.8	-13.5	-3.72%
Deferred tax assets	308.2	174.4	133.8	76.72%
Accounts receivable	300.9	202.9	98.0	48.30%
Prepaid taxes	29.9	268.1	-238.2	-88.85%
Other receivables and prepayments	832.0	433.5	398.5	91.93%
Total	2,437.3	2,180.6	256.7	11.77%

SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

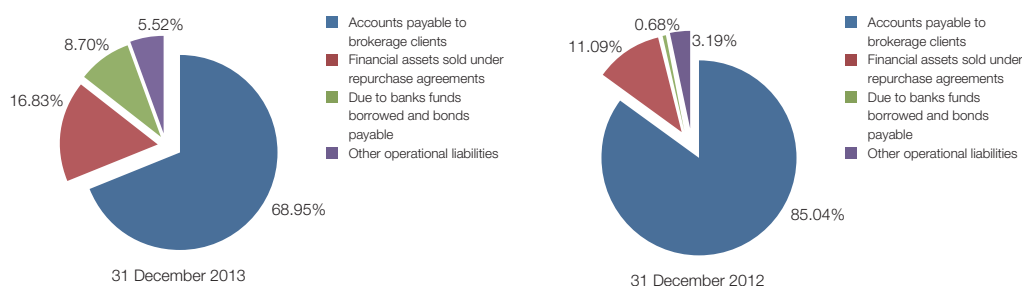
3. Liability items

As at the End of the Reporting Period, our total liabilities were RMB52.863 billion, to which increased by RMB6.126 billion or 13.11% compared with 2012. The Company actively developed capital-based intermediary business, lifted its leverage level and expanded the scale of financing through various financing channels. As at the End of the Reporting Period, our accounts payable to brokerage clients was RMB36.451 billion, representing a decrease of 8.29% compared with 2012; financial assets sold under repurchase agreements was RMB8.898 billion, representing an increase of 71.67% compared with 2012, primarily due to an increase in the business of dealer-quoted bond repurchase and increases in transferring economic interests attributable to margin financing and securities lending and in assigned forward loans; due to banks, funds borrowed and bonds payable was RMB4.593 billion, representing an increase of 1,340.17% compared with 2012. Major changes in our total assets are listed as follows:

Unit: RMB in million

Item	31 December 2013	31 December 2012	Change	Year-on-year growth rate
Liabilities				
Accounts payable to brokerage clients	36,451.3	39,745.6	-3,294.3	-8.29%
Financial assets sold under repurchase agreements	8,898.4	5,183.4	3,715.0	71.67%
Due to banks funds borrowed and bonds payable	4,592.7	318.9	4,273.8	1,340.17%
Other operational liabilities	2,920.3	1,488.8	1,431.5	96.15%
Total	52,862.7	46,736.7	6,126.0	13.11%

The following charts show the composition of our total liabilities:



The Group had no overdue liabilities during the Reporting Period. For details of bonds payable, please see the section "Significant Investment and Financing Activities" in Section V.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Due to banks and funds borrowed

Unit: RMB in million

Item	31 December 2013	31 December 2012	Change	Year-on-year growth rate
Due to banks, funds borrowed and bonds payable				
Due to banks and a non-bank financial institution	592.7	318.9	273.8	85.86%
Bonds payable	4,000.0	–	4,000.0	N/A
Total	4,592.7	318.9	4,273.8	1,340.17%

Due to banks and a non-bank financial institution was RMB593 million, representing an increase of 85.86% compared with 2012, primarily due to increase in funds borrowed by Hong Kong subsidiaries.

Bonds payable increased by RMB4.0 billion, all of which were unmatured short-term subordinated bonds issued by the Group.

Other operational liabilities

Unit: RMB in million

Item	31 December 2013	31 December 2012	Change	Year-on-year growth rate
Other operational liabilities				
Accrued staff costs	1,287.7	1,104.8	182.9	16.56%
Other payables and accruals	1,616.3	363.7	1,252.6	344.40%
Current tax liabilities	8.4	20.3	-11.9	-58.62%
Derivative financial liabilities	7.9	–	7.9	N/A
Total	2,920.3	1,488.8	1,431.5	96.15%

SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Accrued staff costs increased by RMB183 million or 16.56% compared with 2012, primarily due to the significant increase of the provision base of bonus resulting from the remarkable increase of our income.

Other payables and accruals increased by RMB1.253 billion, primarily due to: 1. special dividend payable of RMB424 million, and remaining H shares listing expenses payable of RMB156 million; 2. increase in interest payable due to the increase in active financing; and 3. increase in other operational payables.

4. Equity items

As at the End of the Reporting Period, our total equity was RMB25.422 billion, representing an increase of 44.78% compared with 2012, primarily due to increase in equities of RMB6.336 billion from proceeds raised from the Company's H Share listing.

Unit: RMB in million

Item	31 December 2013	31 December 2012	Change	Year-on-year growth rate
Share capital	7,537.3	6,000.0	1,537.3	25.62%
Capital reserve	11,542.3	6,268.2	5,274.1	84.14%
Retained profits	6,095.3	5,161.6	933.7	18.09%
Non-controlling interests	246.8	129.0	117.8	91.32%
Total	25,421.7	17,558.8	7,862.9	44.78%



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

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 segments: asset management and private equity investment. In addition, our other segment primarily consists of the interest income from our own bank deposits and our treasury management activities as well as staff costs and administrative expenses related to the management functions of our headquarters.

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

Unit: RMB in million

	2013		2012	
	Amount	Percentage	Amount	Percentage
Securities brokerage	6,173.9	73.27%	4,081.0	68.45%
Futures brokerage	623.2	7.40%	521.2	8.74%
Proprietary trading and other securities trading services	823.5	9.77%	387.8	6.50%
Investment banking	411.2	4.88%	698.7	11.72%
Asset management	136.6	1.62%	44.8	0.75%
Private equity investment	9.6	0.11%	25.2	0.42%
Overseas business	202.5	2.40%	33.5	0.56%
Others	105.1	1.25%	176.0	2.95%
Inter-segment eliminations	-59.4	-0.70%	-6.6	-0.11%
Total	8,426.2	100.00%	5,961.6	100.00%

SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB in million

	2013		2012	
	Amount	Percentage	Amount	Percentage
Securities brokerage	3,275.3	59.20%	2,624.4	64.40%
Futures brokerage	422.8	7.64%	358.4	8.79%
Proprietary trading and other securities trading services	443.6	8.02%	164.6	4.04%
Investment banking	288.7	5.22%	403.3	9.90%
Asset management	56.5	1.02%	73.8	1.81%
Private equity investment	176.9	3.20%	23.2	0.57%
Overseas business	159.4	2.88%	68.8	1.69%
Others	717.6	12.97%	365.3	8.96%
Inter-segment eliminations	-7.9	-0.14%	-6.6	-0.16%
Total	5,532.9	100.00%	4,075.2	100.00%

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

	2013		2012	
	Amount	Percentage	Amount	Percentage
Securities brokerage	2,898.6	100.19%	1,456.6	77.22%
Futures brokerage	200.4	6.93%	162.8	8.63%
Proprietary trading and other securities trading services	379.9	13.13%	223.1	11.83%
Investment banking	122.5	4.23%	295.4	15.66%
Asset management	80.1	2.77%	-29.0	-1.54%
Private equity investment	-167.3	-5.78%	2.0	0.11%
Overseas business	43.2	1.49%	-35.3	-1.87%
Others	-612.9	-21.19%	-189.3	-10.04%
Inter-segment eliminations	-51.5	-1.78%	0.0	0.00%
Total	2,893.0	100.00%	1,886.3	100.00%

(vi) Contingent liabilities

Nil



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

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

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

As at the End of the Reporting Period, the Company had established 29 branch offices and 234 securities branches.

1. Establishment of branch offices and securities branches

During the Reporting Period, according to the “Approval on the Establishment of Branch Offices in Hubei and other Places by China Galaxy Securities Co., Ltd.” (Jing Zheng Jian Xu Ke [2013] No. 27) issued by CSRC Beijing Bureau, the Company established 23 branch offices, which are Hebei branch office, Tianjin branch office, Henan branch office, Qinghai branch office, Ningbo branch office, Shanxi branch office, Yunnan branch office, Dalian branch office, Jiangsu branch office, Jilin branch office, Inner Mongolia branch office, Chongqing branch office, Hubei branch office, Xiamen branch office, Heilongjiang branch office, Liaoning branch office, Anhui branch office, Sichuan branch office, Shandong branch office, Fujian branch office, Jiangxi branch office, Qingdao branch office and Shaanxi branch office respectively. According to the “Approval on the Establishment of Five Branches by China Galaxy Securities Co., Ltd.” (Jing Zheng Jian Xu Ke [2013] No. 87) issued by CSRC Beijing Bureau, during the Reporting Period, the Company established five securities branches, which are the securities branches in Zhenxing Road, Jiexiu, securities branch in South Yongan Avenue, Cangzhou, securities branch in North Lianjiang Road, Zhanjiang, securities branch in Xinghu Avenue, Zhaoqing and securities branch in Jinxiu Road, Wenzhou. At the end of 2013, according to the “Approval on the Establishment of 107 Branches by China Galaxy Securities Co., Ltd.” (Jing Zheng Jian Xu Ke [2013] No. 282) issued by CSRC Beijing Bureau, the Company was approved to set up seven branch offices in Guangxi, Hainan, Gansu, Ningxia, Guizhou, Xinjiang and Xizang and 100 securities branches in Anhui and other places, which are at preparation stage.

2. Relocation of branch offices and securities branches

The Company has constantly adjusted and optimized the branch layout. During the Reporting Period, the Company relocated nine branches within the same city, including one branch office and eight securities branches, which are Dalian branch office, securities branch in Minhang Road, Kunming, securities branch in Jiangjin, Chongqing, securities branch in East Jiefang Road, Linfen, securities branch in Zhongguancun Avenue, Beijing, securities branch in Huanghe Road, Dalian, securities branch in Dongshui Road, Fuzhou, securities branch in Kangyuan Road, Taigu and securities branch in Shaoxing Road, Hangzhou.

(2) Establishment of subsidiaries

In order to effectively prevent and avoid risks, adapt to the development trend of asset management business in the future, improve operation efficiency, quickly adapt to market change and create stable sources of revenue, the Company is vigorously preparing for an asset management subsidiary in accordance with the provisions of relevant laws and regulations and taken into consideration the actual situation of the Company’s asset management business. In June 2013, The Company formally submitted application materials for administrative approval to the CSRC in respect of the establishment of Galaxy Jinhui Asset Management Co., Ltd. On 10 December 2013, the Company obtained the “Approval on the Establishment of an Asset Management Subsidiary by China Galaxy Securities Co., Ltd.” (Zheng Jian Xu Ke [2013] No. 1556) issued by CSRC.

SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

V. SIGNIFICANT INVESTMENT AND FINANCING ACTIVITIES

(i) Equity financing

The Company has successfully listed its H Shares on the Hong Kong Stock Exchange on 22 May 2013. Upon the exercise of over-allotment option on 13 June 2013, there were 1,606,604,500 H Shares in issue, of 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 issue price was HK\$5.30 per share. The proceeds raised by the Company amounted to HK\$8,147 billion.

The Company is vigorously preparing for the A Share offering.

(ii) Debt financing

- On 12 April 2013, the Company issued the first tranche of short-term notes in a principal amount of RMB3.5 billion with a term of 90 days and interest rate of 3.58% in the national interbank bond market through a bidding process. The proceeds raised from these notes were used to replenish working capital of the Company. The principal and interest of the first tranche of short-term notes were repaid at the maturity date on 11 July 2013. On 20 June 2013, the Company issued the second tranche of short-term notes in a principal amount of RMB3.5 billion with a term of 90 days and interest rate of 5.10% in the national interbank bond market through a bidding process. The proceeds raised from these notes were used to replenish working capital of the Company. The principal and interests of the second tranche of short-term notes were repaid at the maturity date on 18 September 2013.
- On 25 July 2013, the Company obtained the approval from the CSRC for the issue of short-term subordinated bonds with a principal amount of RMB12 billion, and the Company has issued its short-term subordinated bonds with a principal amount of RMB4.7 billion in total in five tranches during the Reporting Period, the unmatured balance of which as at the end of 2013 was RMB4 billion, details of which are as follows:

	Size of Issuance	Use of Proceeds	Date of Issuance	Maturity Date	Term	Interest Rate
First Tranche	RMB500 million	To replenish working capital of the Company	15 August 2013	13 November 2013	90 days	5.5%
Second Tranche	RMB1,000 million	To replenish working capital of the Company	10 September 2013	10 September 2014	1 year	5.85%
Third Tranche	RMB2,500 million	To replenish working capital of the Company	11 September 2013	11 September 2014	1 year	5.85%
Fourth Tranche	RMB200 million	To replenish working capital of the Company	11 September 2013	10 December 2013	90 days	5.15%
Fifth Tranche	RMB500 million	To replenish working capital of the Company	31 October 2013	31 October 2014	1 year	6.25%

- The resolutions concerning the proposed issuance of corporate bond were considered and approved at the fourth extraordinary general meeting of 2013 of the Company held on 25 September 2013, which specified that the total size of issuance shall not exceed RMB9.5 billion and 40% of net assets of the Company as at the end of June 2013. The Company may apply, for one time or several times, to relevant regulatory departments and institutions for issuance and the raised proceeds shall be used to replenish working capital of the Company. At present, the preparation for the issuance is under preparation.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

VI. PLEDGE OF ASSETS

Nil.

VII. BUSINESS INNOVATION AND ITS INFLUENCE AND RISK CONTROL

(i) Business Innovation

During the Reporting Period, the number of the investors of the Company's dealer-quoted bond repurchase products and the balance due ranked in the first place in the industry and the transaction amount of securities-based lending products to be repurchased reached RMB967 million. The Company established an asset securitization working group to actively procure its asset securitization projects. The Company has also completed "the Special Asset Management Plan in Relation to the Economic Interest to the Income from the Transportation Service Fee of Special Lines of Huaibei Mining Railway", and offered preferred asset-backed securities and secondary asset-backed securities and engaged in several projects in reserve. The Company has also underwrote a short-term notes project as lead underwriter for the first time after it obtained the qualification of offering debt financing instruments for non-financial companies as a lead underwriter. The Company has also completed 4 new OTC listings. Meanwhile, the Company has obtained qualifications for offering dealer-quoted securities repurchase products, equity swap services, dealer-quoted structured fund A repurchase products, OTC trading business and fund custody services. The Company has completed the initial preparations for its MOF bond and interest rate swap businesses.

(ii) Risk control of business innovation

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

1. Formulation of supporting risk management measures

The Company has formulated a series of measures in connection with the risk control during the innovative process, including "Risk Management Measures Concerning Financial Products Sold on a Commission Basis", "Risk Management System Concerning Stock Returns Swap" and "Risk Management Workflow of Securities-based Lending Products", and continued to regulate the risk management workflow based on the assessment standards in relation to the launch of certain financing businesses. Meanwhile, the Company has constantly made amendments and adjustments in light of the actual condition of business development in order to gradually improve the risk control system.

2. Key emphasis on risk audit and evaluation in advance

From actual risk perspective, the innovative business has the characteristics of increasing percentage of credit risk and involving in complex factors, such as counterparties and transaction targets. Therefore, the Company put more emphasis on the complex risk audit in advance. Through the formulation of relevant standards, commencement of due diligence by frontline business staff and issue of opinions on projects, the Company has carried out the preliminary selection and screening of risks. Then, the professionals of middle and back offices on compliance and risk control have conducted in-depth study and analysis on the structure, targets and counterparties of transactions to identify key business risks, evaluate the business risk level and issue professional opinions on risk evaluation, thereby creating double barriers for risks and circumventing potential material risks prior to the commencement of business.

SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

3. Improvement of the risk quota authorization system

The risk quota authorization index system is the core basis of risk monitoring. Along with the development of innovative businesses, the Company has made supplements and amendments to the system to promptly satisfy the demand of risk monitoring. Having regard to the actual development of business and risk monitoring, the risk management department and relevant departments have strictly implemented independent risk monitoring and management to continuously adjust and improve the system and to discover and handle risks, so as to enable the risk quota authorization index system to meet the actual requirements of business development and to ensure the real implementation of risk control.

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

Major risks affecting the operation of the Company include market risk, credit risk, liquidity risk and operational risk. In 2013, the Company adopted effective measures to actively address and generally prevent substantial risk events and ensure the safety and stability of business operation of the Company.

(i) Market risk

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

1. Price risk

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

In 2013, the overall economic situation in China remained complicated and severe and the securities market experienced a continuous downturn. By the end of 2013, the SHCI closed at 2,115.98 points, decreased by 6.75% from 2,269.13 points by the end of 2012. By the end of 2013, the SZCI closed at 8,121.79 points, decreased by 10.91% from 9,116.48 points by the end of 2012. In order to control risks effectively, the Company mainly adopted the following measures: firstly, by holding the portfolios of various kinds of equity securities, the Company created a diversified securities combination to reduce the price risk of investment in equity securities effectively; secondly, the internal risk division of the front office business department conducted the front-line supervision to dynamically control the risk exposure of the Company's positions. At the same time, the risk management department implemented unified risk monitoring, assessment and report to ensure that any risk is identified and dealt with in time; thirdly, the Company controlled the exposure scale of market risk through risk quota authorization and adjusted the risk quota from time to time to cope with the changing market conditions, its business operations or risk bearing capacity; fourthly, the Company used VaR to evaluate the risk exposure and combined with other methods such as scenario analysis and stress testing to assess the relative and absolute risk of portfolios.

Generally speaking, the price risk of the Company in 2013 was relatively stable. For securities with unusual strong price fluctuation, the Company took timely measures such as closing position to prevent the price risk from spreading to other risks.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

2. Interest rate risk

Interest rate risk refers to the risks resulting from the change in interest rate. The assets of the Company exposed to interest rate risks mainly include bank deposits, clearing settlement fund, refundable deposits and debt equities, etc. The Company used sensitivity analysis as the main instrument for monitoring interest rate risks. Meanwhile, the Company reduced the interest rate risks of portfolios by allocating the duration and convexity of its investment portfolios of fixed income. In 2013, the overall risk of the Company from interest rate was under control.

3. Currency rate risk

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

(ii) Credit risk

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

Along with the continuous growth of innovative businesses, especially when other risk factors such as the market downturn and intense liquidity occur, the potential credit risk faced by the Company will increase because the businesses involving credit risks are numerous and significant.

(iii) Liquidity risk

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

In 2013, the securities industry experienced a challenge for liquidity management. In 2013, the Company effectively addressed the impact of liquidity risk, properly dealt with the timely supply of funds required when liquidity was intense, and ensured the operation of all businesses.

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; adjusted and configured the scale and maturity structure of assets and liabilities in order to build a multi-level liquidity reserve system and timely achieving the target of our liquidity portfolio through accessing the money market, capital market and bank credit. Meanwhile, the Company has actively organized employees to enhance liquidity management studies, carried out the construction of liquidity risk management systems and establishment of risk index systems, in order to gradually improve the overall liquidity management level of the Company.

SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

(iv) Operational risk

Operational risk refers to the risk of incurring losses resulting from the inadequacy or defect of internal process, personnel or systems, or from such external events as natural disaster and fraud. In order to manage and avoid operational risk effectively, the Company has enhanced internal management, established a well-established internal control system, perfected the operational workflows, and carried out effective assessment of internal control and compliance management throughout the Company, in order to reduce operational risks triggered by loopholes. Meanwhile, the Company has strengthened the suitability of behaviors and normativeness of operations of personnel by means of internal training, supervision and assessment, and optimized the functions of systems. Furthermore, the Company has traced, recorded and evaluated the losses resulting from operational errors and system errors of various businesses, and calculated and analyzed the frequency and amount of losses resulting from the operational risk incidents. In 2013, the Company was able to control its operational risks.

IX. CONSTRUCTION OF RISK MANAGEMENT SYSTEM

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

(I) the Board of Directors and its Special Committees

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

1. Risk Management Committee

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

2. Audit Committee

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



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

(II) Supervisory Committee

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

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

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

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

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

1. Risk Management Department

The Risk Management Department of the Company is responsible for reviewing and evaluating risk of various businesses, as well as supervising the daily risk management activities of the business departments. Its primary duties include: drafting the authorization plan of risk management by the Board of Directors to the general manager (president); establishing and improving the risk quota management system of the Company to allocate risk quotas to business departments through the general managers (president) authorization, and supervising and inspecting the implementation of risk quotas by the business departments; identifying, analyzing, evaluating and examining the market risks, credit risks and operational risks of the business departments and providing support for decision-making; monitoring risks of the business departments and timely addressing the issues discovered; reporting risks identified during risk management on a timely basis, making risk management recommendations and evaluating the risk management performance of the business departments.

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 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 decisionmaking, new products and new business plans; providing legal support and services as well as compliance advice to various departments, branches and subsidiaries; supervising and inspecting the compliance of our business operations and management, as well as the business practices of our employees; establishing and improving the legal compliance mechanisms for the information isolation, anti-money laundering measures, anti-corruption measures and related sanctions, and supervising the implementation thereof; and reviewing contracts, managing internal authorization, litigation and arbitration.

SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

3. Audit Department

The Audit Department is under the leadership of the Audit Committee under the Board of Directors. It conducts independent audit supervision and evaluation of the business operation and financial revenues and expenses, corporate governance and internal control, implementation of annual budget, key managers departing from the relevant departments and organizations to which they belong; organizes self-assessment of internal control system of the Company; daily monitoring of the use of proceeds; submits timely proposals to the Audit Committee and senior management officers with respect to issues identified during the auditing process; assist 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 Finance and Planning Department, Settlement Management Department, Human Resources Department, IT Department and Strategy and Research Department. In addition to providing back-office support to our various businesses, they also identify, evaluate, monitor and report such risks as liquidity risk, human resources attrition risk, IT risk, securities settlement risk and external investment risk.

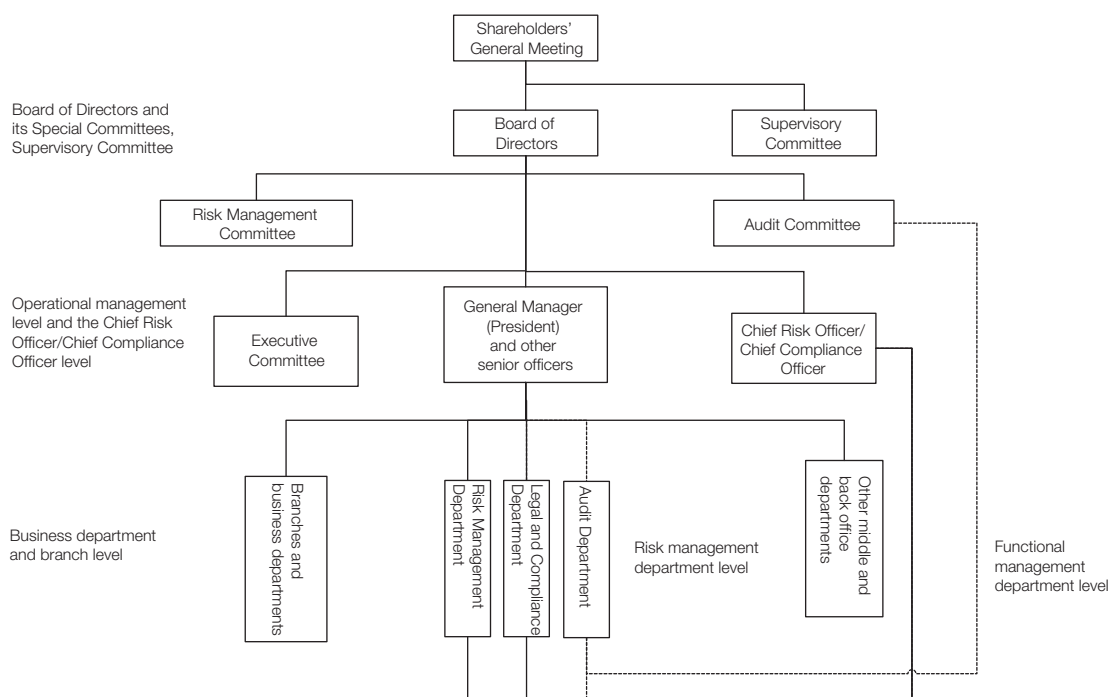
(V) Risk Management at Branch Level

1. Branch Executives

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

2. Compliance Managers and Regional Compliance Officers

The Company has a compliance manager at each branch who is responsible for compliance management of the branch. The Company has 21 compliance officers in 20 regions reporting directly to the headquarter, who are responsible for conducting inspection and training.





SECTION VI DIRECTORS' REPORT

I. ANALYSIS OF MAJOR BUSINESS

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

II. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PLAN

(i) Special dividend plan

At the first extraordinary general meeting of 2013 of the Company, the "Resolution on Profit Distribution in the Period from the IPO Reporting Financial Statements Base Date to the Issue Date" (the "Special Dividend Resolution") was passed, pursuant to which a cash dividend (the "Special Dividend") will be distributed to all shareholders registered on the Company's register of members as at the profit distribution base date, in an amount equal to the net profit of the Company for the period from the IPO reporting financial statements base date (being the base date of the Company's financial statements contained in the H Share prospectus) to the last day of the calendar month immediately prior to the completion of the IPO, after the required appropriations of 10% each to the statutory reserve, the general risk reserve and the transaction risk reserve.

The Company was listed on the Hong Kong Stock Exchange on 22 May 2013 and the IPO reporting financial statements base date mentioned above is 31 December 2012, therefore the period in respect of the Special Dividend is from January to April 2013.

Pursuant to the Special Dividend Resolution, the Special Dividend will be determined based on the audited net profit as shown in the financial statements of the Company for the "period from the IPO reporting financial statements base date to the profit distribution base date" prepared under PRC GAAP or IFRs, whichever is lower. In this regard, the Company engaged Deloitte Touche Tohmatsu CPA Limited (Special General Partnership) to carry out audit procedures on the financial statements of the Company for the period from January to April 2013 in accordance with PRC GAAP and IFRs, and the audit report has been provided.

The net profit of the Company for the period from January to April 2013 prepared under each of PRC GAAP and IFRs is RMB606,349,272.57, and the Special Dividend is RMB424,444,490.79 after deducting 10% or RMB60,634,927.26 for the statutory reserve, 10% or RMB60,634,927.26 for the general risk reserve and 10% or RMB60,634,927.26 for the transaction risk reserve. The Company proposed to distribute the Special Dividend to all shareholders registered on the Company's register of members as of the profit distribution base date, which amounts to approximately RMB0.0707 per share on the basis of the then share capital of RMB6 billion. Holder of H shares of the Company is not entitled to the Special Dividend.

SECTION VI DIRECTORS' REPORT

(ii) Profit distribution plan for 2013

As audited and confirmed by the auditors, the Company recorded net profit of RMB2,125,149,080.83 for 2013. Pursuant to the "Resolution on Profit Distribution in the Period from the IPO Reporting Financial Statements Base Date to the Issue Date" passed at the first extraordinary general meeting of 2013, the entire distributable profits for the period from January to April 2013 will be distributed as Special Dividend to shareholders registered on the Company's register of members as at the profit distribution base date (being 30 April 2013). Therefore, the remaining undistributed profit of the Company for 2013 will be the net profit amounting to RMB1,518,799,808.26 recorded for the period from May to December.

According to the requirements of the Company Law, Securities Law, Financial Rules for Financial Enterprises and the Articles of Association, profit distribution in respect of the undistributed profits for 2013 will be made in accordance with the following arrangements:

1. Allocating 10%, being RMB151,879,980.82 to the statutory reserve;
2. Allocating 10%, being RMB151,879,980.82 to the general risk reserve;
3. Allocating 10%, being RMB151,879,980.82 to the transaction risk reserve;
4. The profits available for distribution to shareholders will be RMB1,063,159,865.80.

Taking into account of the Company's long-term development and the interests of investors, the following distribution plan is proposed for the profits available for distribution to shareholders, being RMB1,063,159,865.80, in respect of 2013:

1. On the basis of a total share capital of 7,537,258,757 (including Domestic Shares and H Shares) as of 31 December 2013, the Company will distribute cash dividends of RMB0.62 per 10 shares (inclusive of tax) to holders of Domestic Shares and H Shares who are registered in the Company's register of members on the record date. The distributed cash dividends amount to RMB467,310,042.93 in total, representing 43.95% of the profits available for distribution to shareholders for 2013. The undistributed profits of the Company of RMB595,849,822.87 after this cash dividends distribution will be carried forward to the next year.
2. The cash dividends will be denominated and declared in RMB, and paid in RMB and in Hong Kong dollars to holders of Domestic Shares and holders of H Shares respectively. The actual amount distributed in Hong Kong dollars will be calculated based on the average benchmark exchange rate of RMB against Hong Kong dollar announced by the People's Bank of China in the five working days prior to the date of the 2013 annual general meeting of the Company.

Subject to approval of the resolutions relating to the 2013 profit distribution plan by the general meeting, the cash dividends will be paid within two months from the date of the general meeting.

The Company will announce in due course the date for the 2013 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 2013 annual general meeting. The Company will make further notice on the closure of its register of members in relation to the entitlement to the dividends of H Shares.



SECTION VI DIRECTORS' REPORT

III. ISSUANCE OF SHARES AND UTILIZATION OF PROCEEDS

(i) Utilization of proceeds

As approved by the CSRC (Zheng Jian Xu Ke [2013] No. 325), the Company issued 1,500,000,000 H Shares at an offer price of HKD5.3 per share in May 2013 through public offering, and issued 37,258,757 H Shares upon the exercise of over-allotment option at the price of HKD5.3 per share, both of which have been listed on the Hong Kong Stock Exchange, raising a total proceeds of HKD8,147,471,412.10. The actual proceeds raised by the Company in this public offering of H Shares together with the related interest income amounted to HKD 8,147,533,679.63 (equivalent to RMB6,498,257,233.72). After deducting issuance expenses equivalent to RMB214,098,999.21, the net proceeds raised by the Company was a sum equivalent to RMB6,284,158,234.51.

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

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

As at the End of the Reporting Period, the Company has utilized HK\$7,755,900,561.58 (equivalent to RMB6,113,371,133.14) of the proceeds (including interest). The remaining unutilized proceeds was equivalent to RMB245,300,961.25, of which an amount equivalent to RMB203,437,761.97 was deposited in the special account for the proceeds, and an amount equivalent to RMB41,863,199.29 was deposited in the domestic fund account. The deposit and actual use of proceeds from the offering of H Shares have been reviewed by Deloitte Touche Tohmatsu CPA Limited (Special General Partnership).

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

Name of project	Change of use of the project or not	Amount proposed to be invested	Amount invested for the year	Actual cumulative investment amount	In line with planned schedule or not	Project progress	Anticipated earnings	Generated earnings	In line with anticipated earnings or not	Explanation for failure to reach the planned schedule and earnings	Reason for changes and explanation on the procedures of change
Margin financing and securities lending business	No		3,686,900	3,686,900	Yes		-	101,982	-	-	-
capital-based intermediary securities trading business	No	6,284,158	1,536,471	1,536,471	Yes	97.28%	-	17,624	-	-	-
capital investment business	No		890,000	890,000	Yes		-	13,305	-	-	-

(iii) Explanation on the change of use of proceeds

This is not applicable as there is no change of use of proceeds.

SECTION VI DIRECTORS' REPORT

IV. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

V. DIRECTORS' AND SUPERVISORS' INTEREST IN MATERIAL CONTRACTS

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

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

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

VII. RIGHTS OF THE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2013, none of the Directors, Supervisors or their respective spouses or minor children under 18 years of age were granted with rights or had exercised any such rights to acquire benefits by means of acquisition of shares or debentures of the Company. Neither the Company nor any of its subsidiaries were a party to any arrangements to enable the Directors, Supervisors or their respective spouses or minor children under 18 years of age to acquire such rights from any other body corporate.

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

Based on the information available to the Company and so far as the Directors of the Company are aware, as at 31 December 2013, none of the Directors, Supervisors and senior management officers 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.



SECTION VI DIRECTORS' REPORT

IX. 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 that is available to the Company and to the knowledge of the Directors, the Company has a public float of 22.44%, which satisfies the minimum percentage prescribed in the conditions imposed in the waiver from strict compliance with Rule 8.08 of the Listing Rules granted to the Company by the Hong Kong Stock Exchange upon listing of the H Shares.

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

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

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

(iv) Reserves and distributable profit reserves

For the movement of reserves and distributable profit reserves, please refer to the "Consolidated Statement of Changes in Equity" and Note 45 to the financial statement of this report.

SECTION VI DIRECTORS' REPORT

(V) Major clients and suppliers

The Company provides services for various types of individual and institutional clients of many industries. The customers of the Company include multinational corporations, medium and small-sized enterprises, high-net-worth clients and retail clients. Major clients of the Company are located in the PRC. The Company expects the number of overseas clients to increase as the Company expands its overseas business. In 2013, the revenue derived from the five largest clients of the Company accounted for 1.60% of its total revenue.

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

(VI) Property and equipment

For information concerning property and equipment of the Company as at 31 December 2013, please refer to Note 18 to the financial statement of this report.

(VII) Performance of Social Responsibilities

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

1. The Company advocates healthy enterprise culture.

- (1) Formulate systems, enhance standardized management and actively implement enterprise culture to create a favorable environment for the reform and development of the Company. Firstly, the Company has printed and issued the Enterprise Culture Manual and enterprise culture wall charts. Secondly, the Company has organized four lectures on enterprise culture and set up the column of "Sharing of Good Articles". Thirdly, the Company has standardized the usage of its commercial word library. Fourthly, the Company has improved its VI (visual image) management and completed amendment to the Visual Identification Management Manual and the Management Measures Concerning Implementation of Visual Image Norms. Fifthly, the Company has spread enterprise culture and provided a communication platform for employees through its intra-company publication Galaxy, website, trade union and various levels of organizations.
- (2) Make full use of industry media and the Company's own platform to enhance brand advertisement and spread positive information through various forms and channels. Firstly, the Company makes full use of its website for publicity. Secondly, the Company uses the Financial Yearbook of Beijing Securities Regulatory Bureau, the China Securities Yearbook and the large evening gala of disabled art groups "My Dream" to popularize the brand culture of the Company.



SECTION VI DIRECTORS' REPORT

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

- (1) Define duties and carry out the principal responsibility system.
- (2) Formulate emergency treatment measures, regularly carry out safety drills, and amend and improve emergency plans from time to time.
- (3) Attach importance to the safe operation of the information system. According to the national and international best practice of information safety management systems and standards, the Company has formulated scientific, complete, practical measures adapt to its business development, including Information Safety Guarantee Management Measures, Information System Operation and Maintenance Management Measures and other safety management and production rules and systems, so as to develop information safety management and safety production in an efficient and standardised manner.
- (4) No major failure has occurred in the information system of the Company throughout 2013.

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

- (1) In order to better protect the rights and benefits of investors and further enhance the self-protection consciousness of investors, the Company organized the following education activities:
 1. The Company cooperated with the Securities Association of China to carry out the "Insight: Preventing Financial Fraud" activity.
 2. The Company organized an activity themed "Publicity of Illegal Securities Activities", which greatly improved investors' identification ability of illegal securities activities and enhanced their consciousness of preventing illegal fund raising.
- (2) The Company focused on appropriate sales and services and educated and served the investors.
 1. The Company actively assisted Ping An Securities Limited, the Securities Association of China, the Investor Protection Fund Company and regulatory organs in the compensation work of the Wanfu Biotechnology case to ensure that eligible investors could be compensated smoothly according to the compensation flow.
 2. The Company carried out an education activity among investors in connection with individual stock futures, and instructed them on the fundamental knowledge of individual stock futures, application of transactional tactics and the investment risks based on the appropriate management requirements, so as to promote the education of individual stock future investors.
- (3) The Company actively participated in the "I'm a Shareholder", "Accessing Listed Companies" and other investor education activities organized by the SSE and the SZSE.
- (4) The Company improved the testing and evaluation of investors' risk bearing capacity and amended the Risk Bearing Capacity Questionnaire.

SECTION VI DIRECTORS' REPORT

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

- (1) In accordance with the needs of society in combining research with practice, the Company actively invited college students to intern at the Company to raise their practical abilities and their competitiveness. In 2013, 239 college students have interned at the Company.
- (2) The Company actively responded to the call of the SASAC and the Ministry of Education in the Notice Concerning State-owned Enterprises Employing College Graduation in 2013-2014 (Guo Zi Ting Fa Fen Pen [2013] No. 37), and employed 22 graduates in 2013.
- (3) The Company received one military cadre according to the uniform deployment of the Military Conversion Office of the State Council.
- (4) The Company continued to recruit sponsor representatives, analysts, senior sales managers, advanced investment managers and other high-end talents crucial to the Company's business development.
- (5) The Company established long-term talent cultivation system to expand the professional development channels of employees and to build a professional, international, marketized team.
- (6) According to the arrangements of Beijing Party Committee and Heilongjiang Provincial Government, in 2013, the Company dispatched three employees to exchange with the organization department of Beijing Party Committee and the financial office of Heilongjiang Provincial Government.

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

- (1) In the course of deepening reform, the Company balances the strength of reforms, the pace of development and the bearing ability of employees. While keeping posts and remuneration of employees relatively stable, the Company employs a group of young and excellent talents by two-way selection and public recruitment, ensuring that the Company has established a marketized employment system and maintained smooth running of operations and the stability of employees while avoiding layoff under normal trading condition.
- (2) The Company continued to advocate the philosophy of "back desk serving front desk, head office serving branches, and front desk and branches serving clients". Guided by this philosophy and through reforms on a pilot basis, the Company has boosted the marketization reform of the back desk, obviously increased the service consciousness and the idea of market and client orientation, and improved customer service abilities.
- (3) The Company carried out occupational education and training among employees to help them with their professional development and to contribute to the construction of talented teams in the securities industry. To adapt to the requirements of listed public companies, the Company has carried out seven sessions of comprehensive quality trainings, covering all employees of the Company. The training contents cover industry trend, company strategy, business quality, professional ability and professional ethics. Through training, the Company has effectively improved the comprehensive quality of the employees, and thus increased customer satisfaction and income contribution ratio and realized triple win for clients, employees and shareholders.



SECTION VI DIRECTORS' REPORT

- (4) The Company enhanced the construction of the employees' representative conference system and maintained the lawful rights and benefits of employees. The Company solicited and took into account opinions from employees' representatives on the Supplementary Agreement to Labor Contract and the Labor Contract (Amendment). The Company brought into full play the role of the trade union to support employees in difficulty. At the arrival of the 2014 Spring Festival, the Company granted subsidies to the seriously ill, internal retirees, retirees, labor models in difficulty and employees in special difficulty. The Company also sent its greetings to employees for their birthdays, weddings and births of children. Furthermore, the Company actively participated in entertainment and sports activities to boost the cultivation of enterprise culture. In 2013, the Company held "the First Table Tennis Match" and "the Sixth Poker Tractor Match", participated in the "Hiking" activities held by the Securities Association of China, and took part in "the 2nd National Financial System Employees' Game" held by the Chinese Financial Trade Union and the Chinese Financial Sports Association on behalf of Galaxy Financial Holdings.
- (5) The Company actively boosted the construction of the supplementary guarantee system such as annuity. The Company's annuity plan began to operate in August 2011. Over 6,000 employees have taken part in the plan. At present, the plan is implemented smoothly and the proceeds are stable, providing good incentive to employees. Furthermore, the Company provided supplementary medical guarantee for all employees.
6. The Company actively took part in charities. The Company continued to implement the mountain village kindergarten plan and supplemented donations of RMB660,000. The Company also donated RMB1 million to build a Galaxy primary school at Yangbajing, Dangxiong County, Lasa City, Tibet and donated RMB2 million to Jingning County, Gansu to help build an apple sales channel, to construct the Galaxy teaching building, to implement the poverty reduction project, to support poor students and to establish a special column for social responsibility in the Company's website. Furthermore, the Company issued the advertisements of the large evening gala of disabled art groups "My Dream" to support the cause for the disabled.

SECTION VII SIGNIFICANT EVENTS

I. LITIGATION AND ARBITRATION DURING THE REPORTING PERIOD

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

15 legal cases carried forward from previous years and newly incurred during the Reporting Period, were closed during the Reporting Period, in which 3 cases were closed due to plaintiffs' withdrawal (including applicants' withdrawal of arbitration). 6 were closed due to mediation and reconciliation and 6 were closed by judgments and adjudication. The Company was required to compensate approximately RMB17.3375 million in respect of these cases and the enforcement thereof has been completed.

(ii) Material Litigation and arbitration

As at the End of the Reporting Period, details of outstanding litigation and arbitration involving the Company and its branches, where the amount involved exceeds RMB10 million or does not exceed RMB10 million but is relatively significant are as follows:

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

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

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

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

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

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



SECTION VII SIGNIFICANT EVENTS

From December 2012 to January 2013, the court reached its decisions for the first trials of the aforementioned 13 civil proceedings, affirming that the losses of wealth management fund were approximately RMB48.8305 million, and ruling that Liang Jianwei shall compensate the plaintiffs for their losses and that the Company and the Xiaolan branch in Zhongshan shall jointly compensate 40% of the loss (the principal amount) that Liang Jianwei is unable to pay back. The Company and the Xiaolan branch in Zhongshan have appealed the decision.

On 19 June 2013, the Intermediate People's Court of Zhongshan, Guangdong province, reached its decisions for the second trial, affirming that the losses of amounts shall be decreased by RMB5.0517 million to approximately RMB43.7788 million, while sustaining the original judgment that the Company shall compensate 40% of the loss of the wealth management fund that Liang Jiangwei is unable to pay back. The Company and the Xiaolan branch have appealed against such judgments, and through the Intermediate People's Court of Zhongshan, have lodged an appeal with the People's High Court of Guangdong Province on 4 November 2013.

On 20 January 2014, the Intermediate People's Court of Zhongshan made a final decision that the losses of amounts that Liang Jiangwei is unable to pay back shall be RMB41.3493 million and the amount that the Company and the Xiaolan branch shall compensate for is RMB16.5397 million (RMB41.3493 million* 40%). On 24 January 2014, the Intermediate People's Court of Zhongshan has fully transferred out the aforesaid amount from the bank account of the Company.

On 14 February 2014, the attorney of the Company received the Notice of Acceptance of Civil Petition for Retrial (2014) Yue Gao Fa Min Shen Zi No. 142-154) from the People's High Court of Guangdong Province. Currently, the People's High Court of Guangdong Province has not made a decision for a retrial.

(3) Civil proceedings arising from the private acts of Li Lei (a former employee of Jiangdongzhong Road branch in Nanjing) with client

From 12 to 14 March 2013, Li Lei, a former employee of Jiangdongzhong Road branch in Nanjing, privately introduced and facilitated our client Tang Latou to invest in bank acceptance bills business through Yu Xiaolei, a client manager of another securities firm, with the relevant amounts circulated through the account of Li Lei. Yu Xiaolei promised to pay high interest on the funds invested by the participants of the aforementioned business. Li Lei and another employee of our Jiangdongzhong Road branch also invested in the bank acceptance bills business. At present, Yu Xiaolei is subject to criminal prosecution for suspected illegal fund collection.

Tang Latou could not recover his above investment and filed a lawsuit on 15 April 2013 with the Jianye District People's Court of Nanjing against the Company and our Jiangdongzhong Road branch in Nanjing as co-defendants, claiming a sum of RMB8.614 million plus interest. Currently, the case is under the first trial.

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

SECTION VII SIGNIFICANT EVENTS

II. MATERIAL CONTRACTS AND EXECUTION

The Company signed property leasing contract and cooperation agreement (plant lease) with Galaxy Investment and TravelSky Technology Limited, respectively. The total annual rent for 2013 was RMB58,714,600 and RMB18,557,100, respectively. Save for the above, during the Reporting Period, the Company had not engaged in any material custody, contracting or leasing (the amount of which is over RMB10 million) and no such matters were carried forward to the Reporting Period from the previous period, nor was there any external guarantee.

III. CONNECTED TRANSACTIONS

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

During the Reporting Period, the Group conducted the following non-exempt connected transactions in accordance with the Listing Rules:

On 2 May 2013, the Company entered into the Securities and Financial Services Framework Agreement (the "Framework Agreement") with Galaxy Financial Holdings, pursuant to which, the Company shall provide securities and financial services based on normal commercial terms to Galaxy Financial Holdings and its subsidiaries ("Galaxy Financial Holdings Group"), including (1) securities brokerage services, (2) sales agency services, (3) leasing of exchange trading units and (4) other related securities and financial services. The Group shall receive service charges and commissions from Galaxy Financial Holdings Group for the provision of such services and shall pay interest to Galaxy Financial Holdings Group in respect of its funds entrusted to the Group in connection with such services. The service charges and commissions receivable and interests payable by the Group shall be based on negotiation between the parties with reference to the prevailing market rates and shall be in compliance with the applicable laws and regulations. The Framework Agreement came into force on the Listing Date for a term of three years, and upon the expiration thereof, may be renewed for three years subject to compliance with the relevant laws and the Listing Rules. As Galaxy Financial Holdings, holding approximately 69.23% of the issued share capital of the Company, is the controlling shareholder of the Company, and is therefore a connected person of the Company. As such, the above-mentioned transactions constitute continuing connected transactions of the Company under the Listing Rules.

For three years ending 31 December 2015, the annual caps of service charges and commissions payable by Galaxy Financial Holdings Group to the Group in respect of the securities and financial services (including all four services as mentioned above) under the Framework Agreement are RMB26 million, RMB28 million and RMB30 million, respectively. For each of the three years ending 31 December 2015, the annual caps of interests payable by the Group to Galaxy Financial Holdings Group in respect of the entrusted funds under the Framework Agreement is RMB1.72 million.

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



SECTION VII SIGNIFICANT EVENTS

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

	2013	Annual Caps for 2013
Income		
Securities brokerage services	68.14	
Sales agency services	239.53	
Leasing of exchange trading units	1,872.27	
Other related securities and financial services	10.03	
Total	2,189.97	2,600.00
Expenses		
Interest expense	17.60	
Total	17.60	172.00

Note:

1. Income from securities brokerage services is the income received from Galaxy Financial Holdings for securities brokerage business;
2. Income from sales agency services is the income received from Galaxy Fund 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 received from Galaxy Financial Holdings.
5. Interest expense is the interest expense for deposits payable to Galaxy Financial Holdings and Galaxy Fund Management.

In respect of the continuing connected transactions mentioned above, the Company confirms that it has complied with Chapter 14A of the Listing Rules. The independent non-executive Directors of the Company have reviewed the continuing connected transactions and have confirmed that such continuing connected transactions:

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

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

“In respect of the disclosed continuing connected transactions:

- a. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company’s Board of Directors.
- b. for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.

SECTION VII SIGNIFICANT EVENTS

- 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 period from 1 January 2013 to 31 December 2013 disclosed in the announcement dated 27 November 2013 made by the Company in respect of the disclosed continuing connected transactions.

IV. ACQUISITIONS, MERGERS AND DIVISIONS DURING THE REPORTING PERIOD

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

V. PUNISHMENT OR PUBLIC CENSURE AGAINST THE COMPANY FOR THE YEAR, INCLUDING PUNISHMENT OR PUBLIC CENSURE IMPOSED AGAINST THE COMPANY AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT BY THE CSRC, THE SECURITIES ASSOCIATION OF CHINA, THE STOCK EXCHANGES, THE FINANCIAL FUTURES EXCHANGES, AND PUNISHMENT IMPOSED BY THE DEPARTMENTS OF FINANCE AND TAXATION, FOREIGN EXCHANGE AND AUDITING.

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

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

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

Nil.

VII. CHANGES IN QUALIFICATIONS FOR INDIVIDUAL BUSINESSES

- (1) On 8 January 2013, the Company obtained the qualification for engagement in the special institutional client business of insurance institutions granted by the China Insurance Regulatory Commission (Bao Jian Zi Bei [2013] No.3).
- (2) On 12 January 2013, the Company obtained the authorities for securities-based lending transactions granted by the SZSE (Shen Zheng Hui [2013] No.15).
- (3) On 16 January 2013, the Company obtained the qualification for offering equity swap services granted by CSRC (Ji Gou Bu Bu Han [2013] No.33).
- (4) On 6 February 2013, the Company obtained the qualification for OTC trading granted by the Securities Association of China (Zhong Zheng Xie Han [2013] No.118).
- (5) On 22 February 2013, the Company obtained the qualification for short selling business on a pilot basis granted by the China Securities Finance Corporation Limited (Zhong Zheng Jin Han [2013] No. 45).
- (6) On 27 February 2013, the Company obtained the qualification for lending business for margin and securities refinancing granted by SSE (Shang Zheng Hui Zi [2013] No. 19).



SECTION VII SIGNIFICANT EVENTS

- (7) On 5 March 2013, the Company obtained the qualification for engagement in entrusted insurance fund management business granted by the China Insurance Regulatory Commission.
- (8) On 21 March 2013, the Company obtained the qualification to for engagement in the comprehensive custody business of private equity on a pilot basis granted by CSRC (Ji Gou Bu Bu Han [2013] No. 148).
- (9) On 21 March 2013, the Company obtained the qualification for chief agency broker in national share transfer system granted by the National Equities Exchange and Quotations Co Ltd (Gu Zhuan Xi Tong Han [2013] No. 97).
- (10) On 5 June 2013, the Company obtained the qualification for participation in interest rate swap transactions granted by CSRC Beijing Bureau (No. 2013002).
- (11) On 1 July 2013, the Company obtained the authorities for dealer-quoted securities repurchase transactions granted by SSE (Shang Zheng Hui Zi [2013] No. 79).
- (12) On 2 July 2013, the Company obtained the authorities for dealer-quoted securities repurchase transactions granted by SZSE (Shen Zheng Hui [2013] No. 60).
- (13) On 5 August 2013, the Company obtained the authorities for dealer-quoted repurchase transactions granted by SZSE (Shen Zheng Hui [2013] No. 70).
- (14) On 14 October 2013, the Company obtained the qualification for digital certificate authentication as agency granted by the China Securities Depository and Clearing Co., Ltd.
- (15) On 26 December 2013, the Company obtained the qualification to for engagement in relevant businesses at Zhejiang Equities Exchange Centre granted by the Securities Association of China.

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

In 2013, in the evaluation of securities companies by class by the CSRC, the Company was awarded the AA rating in A class for four consecutive years.

IX. OTHER IMPORTANT MATTERS AND PROGRESS OF SUBSEQUENT EVENTS

(1) Annual distribution scheme

The Company's profit distribution plan for 2013 is set out in "II. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PLAN" in Section VI of this report.

SECTION VII SIGNIFICANT EVENTS

(2) Listing of A Shares of the Company

On 1 March 2014, the Company made the Announcement of Proposed A Share Offering, disclosing that the Board has passed the A Share offering plan and other relevant resolutions, and that according to the relevant regulatory requirements of the CSRC and in light of the actual situation of the Company, it intends to make amendments to the A Share offering plan. Relevant matters with respect to the A Share offering are subject to approval by shareholders at the extraordinary general meeting, and some resolutions shall be approved by shareholders at the extraordinary general meeting and the Domestic Share and H Share class meetings, respectively. Furthermore, the A Share offering is subject to the approvals from the CSRC and other regulatory authorities.

The Company will hold an extraordinary general meeting and the Domestic Share and the H Share class meetings on 25 April 2014 to consider the A Share offering and relevant matters. The Company has dispatched notices of the meetings and a circular to the shareholders on 11 March 2014. Please refer to the announcements published by the Company at appropriate time for details of progress.

(3) Significant litigation and arbitration

For the progress of the civil proceedings arising from the fraud by Liang Jianwei (a former employee of Xiaolan branch in Zhongshan), please refer to “I. LITIGATION AND ARBITRATION DURING THE REPORTING PERIOD” of this Section for details.

(4) Changes of qualifications for individual businesses

1. On 12 February 2014, the Company obtained the qualification to engage in the self-operated business of option mock trading granted by SSE (Shang Zheng Qi Han [2014] MO No.4046).
2. On 17 February 2014, the CSRC approved awarding the Company with the qualification to conduct client securities fund consumption and payment service on a pilot basis (Ji Gou Bu Bu Han [2014] No. 172).

(5) Capital Increase of the Hong Kong subsidiary

At the 40th meeting of the 2nd session of the Board held on 26 March 2014, the Company passed the resolution of contributing HKD 0.4 billion to increase the registered capital of Galaxy International Holdings to HKD 1 billion.

(6) Debt securities financing after the Reporting period

On 13 January 2014, the Company issued the 2014 first tranche subordinated bonds with an offering size of RMB510 million, a coupon rate of 6.85% and a term of 182 days.

(7) Transfer of Domestic Shares between shareholders

On 3 March 2014, the Company made the Announcement on the Transfer of Domestic Shares between Shareholders of the Company, disclosing that Zhejiang Tianlang Investment & Management Co., Ltd. has transferred 2 million Domestic Shares of the Company (representing approximately 0.034% of the issued domestic share capital and approximately 0.027% of the total issued share capital of the Company respectively) held by it to Qitian Holding Co., Ltd. Currently, the Company has reported such share transfer to the Beijing Securities Regulatory Bureau.



SECTION VIII CHANGES IN SHARES AND INFORMATION OF SUBSTANTIAL SHAREHOLDERS

I. STRUCTURES OF SHARE CAPITAL

Name of shareholders	Class of shares	Number of shares	Percentage of the total issued domestic shares/H shares of the Company (%)	Percentage of the total number of issued shares of the Company (%)
Galaxy Financial Holdings	Domestic shares	5,217,743,240	89.25%	69.23%
Other shareholders of domestic shares	Domestic shares	628,530,884	10.75%	8.34%
National Social Security Fund	H shares	85,807,133	5.07%	1.14%
Public shareholders of H shares	H shares	1,605,177,500	94.93%	21.30%

II. CHANGES IN SHARES

The Company has successfully listed its H Shares on the Hong Kong Stock Exchange on 22 May 2013. Upon the exercise of over-allotment option on 13 June 2013, there were 1,537,258,757 new H Shares in issue. According to the relevant requirements, 17 state-owned shareholders transferred 153,725,876 state-owned shares they held to National Social Security Fund, which were converted to H Shares and held by National Social Security Fund. After completion of this offering, the total number of shares of the Company increased to 7,357,258,757 shares from 6,000,000,000 shares.

III. INFORMATION OF SHAREHOLDERS

As at the End of the Reporting Period, the Company has a total of 1,420 shareholders, including 38 domestic shareholders and 1,382 registered shareholders for H shares.

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

Name of shareholders	Nature of shareholders	Number of shares held	Proportion	Number of increase or decrease of shares	Number of shares held without restrictions for sale	Number of shares held with restrictions for sale	Pledge or lock-up of shares held
Galaxy Financial Holdings	State-owned legal person	5,217,743,240	69.23%	-146,378,743	5,217,743,240	0	Nil
HKSCC Nominees Limited (Note 1)	Overseas legal person	1,687,761,333	22.39%	1,687,761,333	1,687,787,333	0	Nil
PICC Property and Causality Company Limited	State-owned legal person	114,381,147	1.52%	-3,208,853	0	114,381,147	Nil
Shanghai Rural Commercial Bank Co., Ltd.	Social legal person	110,000,000	1.46%	0	110,000,000	0	Nil
Bank of Lanzhou Co., Ltd	Social legal person	90,514,398	1.20%	0	90,514,398	0	Nil
Shanghai CIIC Electric Technology Co., Ltd.	Social legal person	60,000,000	0.80%	0	0	60,000,000	Nil
China Resources Co., Ltd.	State-owned legal person	38,804,706	0.51%	-1,088,628	0	38,804,706	Nil
Joincare Pharmaceutical Industry Group Co., Ltd	Social legal person	28,983,000	0.38%	0	0	28,983,000	Nil
Zhongshan Zhonghui Investment Group Company Limited	State-owned legal person	19,454,230	0.26%	-545,770	0	19,454,230	Nil
Shenzhen Yantian Port Group Co., Ltd.	State-owned legal person	13,617,961	0.18%	-382,039	0	13,617,961	Nil

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

SECTION VIII CHANGES IN SHARES AND INFORMATION OF SUBSTANTIAL SHAREHOLDERS

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

IV. DISCLOSURE OF INTEREST

As at 31 December 2013, to the knowledge of the Directors of the Company after making reasonable inquiries, the following persons (other than Directors, Supervisors or senior management officers of the Company) have the following interests or short positions in shares or underlying shares of the Company required to be disclosed to the Company in accordance with Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by the Company under Section 336 of the SFO:

	Name of substantial shareholders	Class of shares	Nature of interest	Number of shares held	Percentage of the total number of issued shares of the Company (%)	Percentage of the total number of issued Domestic Shares/ H Shares of the Company (%)	Long positions/ short positions/ shares available for lending
1	Huijin (Note 1)	Domestic Shares	Interests of controlled corporation	5,217,743,240 (Note 2)	69.23	89.25	Long position
2	Galaxy Financial Holdings	Domestic Shares	Beneficiary owner	5,217,743,240 (Note 2)	69.23	89.25	Long position
3	National Council for Social Security Fund	H Shares	Beneficiary owner	85,807,133	1.14	5.07	Long position

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

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

Save as disclosed above, as at 31 December 2013, the Company was not aware of any other person (other than Directors, Supervisors and senior management officers of the Company) who held interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

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

During the Reporting Period, apart from the IPO of H shares, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

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

Name	Position	Gender	Age	Appointment date	Total remuneration received from the Company during the Reporting Period (RMB'000)	Note
Chen Youan	Chairman and Non-executive Director	Male	56	Served as director on 5 January 2010 and elected as Chairman on the same date	1,545	Re-elected as Director on 19 August 2011
Gu Weiguo	Deputy Chairman, Executive Director, President and Chairman of the Executive Committee	Male	55	Served as President on 30 March 2010, Director on 30 April 2010, and elected as Deputy Chairman on 11 May 2012 and Chairman of the Executive Committee on 19 December 2012	1,516	Re-elected as Director on 19 August 2011
Xu Guoping	Non-executive Director	Male	53	Elected as Director on 31 December 2005 and served as Director since January 2007	0	Re-elected as Director on 19 August 2011
Wu Chengming	Executive Director, Secretary to the Board	Male	51	Served as Director on 21 August 2009, Secretary to the Board on 16 August 2012 and Member of the Executive Committee on 19 December 2012	2,294	Re-elected as Director on 19 August 2011
Li Chenghui	Non-executive Director	Male	61	Elected as Director on 31 December 2005 and served as Director since January 2007	0	Re-elected as Director on 19 August 2011
Shi Xun	Non-executive Director	Male	56	19 August 2011	0	Re-elected as Director on 19 August 2011
Wang Shiding	Independent Non-executive Director	Male	70	31 December 2005	270	Re-elected as Director on 19 August 2011
Liu Feng	Independent Non-executive Director	Male	51	22 April 2011	310	Re-elected as Director on 19 August 2011
Zhou Ruijin	Independent Non-executive Director	Male	75	25 January 2013	200	

SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Position	Gender	Age	Appointment date	Total remuneration received from the Company during the Reporting Period (RMB'000)	Note
Wu Yuwu	Independent Non-executive Director	Male	53	25 January 2013	200	
Qi Xiaoli	Employee Director, Non-executive Director	Female	55	20 November 2012	1,193	
Yu Wenxiu	Chairman of the Supervisory Committee	Male	57	Elected as Supervisor on 31 December 2005, served as Supervisor since January 2007 and elected as the Chairman of the Supervisory Committee on 12 February 2007	1,378	Re-elected as Supervisor on 19 August 2011
Zhong Cheng	Supervisor	Male	51	Elected as Supervisor on 31 December 2005 and served as Supervisor since January 2007	1,053	Re-elected as Director on 19 August 2011
Wu Huanliang	External Supervisor	Male	62	22 May 2013	80	
Gu Shulin	Employee Supervisor	Male	60	20 November 2012	1,153	
Liu Zhiyi	Employee Supervisor	Female	50	22 May 2013	1,135	
Chen Jing	Vice President, Member of the Executive Committee	Female	51	Appointed as Vice President in August 2007, and Member of the Executive Committee on 19 December 2012	1,337	
Huo Xiaoyu	Vice President, Member of the Executive Committee	Female	48	Appointed as Vice President in August 2007, and Member of the Executive Committee on 19 December 2012	1,350	
Zhu Yongqiang	Chief Officer of Brokerage Business, Member of the Executive Committee	Male	49	26 August 2013	1,697	
Wang Liuqi	Chief Officer of Equity Financing Business, Member of the Executive Committee	Male	43	Appointed as Chief Officer of Equity Financing Business on 23 March 2012, and Member of the Executive Committee on 19 December 2012	2,888	



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Position	Gender	Age	Appointment date	Total remuneration received from the Company during the Reporting Period (RMB'000)	Note
Dai Xu	Chief Officer of Fixed Income Business, Member of the Executive Committee	Male	51	Appointed as Chief Officer of Fixed Income Business on 23 March 2012, and Member of the Executive Committee on 19 December 2012	6,924	
Yin Yanwu	Chief Officer of Asset Management Business, Member of the Executive Committee	Male	40	Appointed as Chief Officer of Asset Management Business on 31 December 2012, and Member of the Executive Committee at the same date	2,888	
Zhu Ruimin	Chief Financial Officer, Member of the Executive Committee	Female	44	Appointed as Chief Financial Officer on 23 April 2012, and Member of the Executive Committee on 19 December 2012	2,678	
Wu Jianhui	Chief Human Resources Officer, Member of the Executive Committee	Male	44	Appointed as Chief Human Resources Officer on 18 November 2011, and Member of the Executive Committee on 19 December 2012	2,905	
Li Shuhua	Chief Risk Officer/ Chief Compliance Officer, Member of the Executive Committee	Male	43	Appointed as Chief Risk Officer/ Chief Compliance on 18 November 2011, and Member of the Executive Committee on 19 December 2012	2,996	Appointed as Chief Compliance Officer on 15 April 2010

Note:

- The above total remuneration is the actual pre-tax amount paid by the Company during the Reporting Period. The finalized remuneration of Directors, Supervisors and senior management for 2013 is in the process of confirmation and will be disclosed later when the same is confirmed. Currently, the requirements of the Administrative Measures of Review on Remuneration of Central Financial Institutions' Leaders issued by Ministry of Finance of China are still applicable to the remuneration management in respect of some Directors, Supervisors and senior management of the Company. The Company will advance the marketisation reform of the remuneration management for all Directors, Supervisors and senior management to achieve a unified approach.
- The remuneration received by Zhong Wei, independent non-executive Director (resigned in January 2013), from the Company during the Reporting Period was RMB24,000 (before tax).
- During the Reporting Period, Ms. Qi Xiaoli received remuneration as the supervisor of President's Office of the Company, Mr. Gu Shulin received remuneration as the supervisor of the work inspection office of the Company and Ms. Liu Zhiyi received remuneration as the general manager of audit department of the Company.

SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

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

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

Name	Position(s) in the Company	Position(s) in other entities		
		Name of entities	Position(s)	Period in position
Chen Youan	Director and Chairman	Huijin	deputy general manager	July 2008 to present
		Galaxy Financial Holdings	director and chairman	director: December 2009 to present chairman: December 2009 to June 2011 December 2012 to present
		Galaxy Futures	director and chairman	October 2013 to present
Gu Weiguo	Director, Deputy Chairman, President, and Supervisor of Executive Committee	Galaxy Financial Holdings	director	June 2011 to present
		Galaxy International Holdings	director	February 2011 to present
Xu Guoping	Director	Galaxy Financial Holdings	director and deputy general manager	director: August 2005 to present deputy general manager: June 2011 to present
		Galaxy Investment	director and chairman	director and chairman: February 2007 to present
		Beijing Galaxy Jixing Investment Management Company Limited	director and chairman	director and chairman: June 2010 to present
Wu Chengming	Director, Secretary to the Board and Member of the Executive Committee	Nil	–	
Li Chenghui	Director	Galaxy Financial Holdings	director	August 2005 to present
Shi Xun	Director	Zhejiang Xianju Pharmaceutical Co., Ltd	independent director	December 2007 to December 2013



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

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

SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Position(s) in the Company	Position(s) in other entities		
		Name of entities	Position(s)	Period in position
Chen Jing	Deputy General Manager (Vice President) and Member of the Executive Committee	Nil	–	
Huo Xiaoyu	Deputy General Manager (Vice President) and Member of the Executive Committee	Galaxy International Holdings	director and chairman	June 2011 to present
Zhu Yongqiang	Chief Officer of Brokerage Management Business and Member of the Executive Committee	Nil	–	
Wang Liuqi	Chief Business Officer of Equity Financing Business and Member of the Executive Committee	Beijing Equity Exchange Centre Co., Ltd	director	January 2013 to present
Dai Xu	Chief Business Officer of Fixed Income Business and Member of the Executive Committee	Nil	–	
Yin Yanwu	Chief Business Officer of Asset Management Business and Member of the Executive Committee	Nil	–	
Zhu Ruimin	Chief Financial Officer and Member of the Executive Committee	Nil	–	
Wu Jianhui	Chief Human Resources Officer and Member of the Executive Committee	Galaxy Capital	director	July 2011 to present
Li Shuhua	Chief Risk Officer/Chief Compliance Officer and Member of the Executive Committee	Nil	–	



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

III. BIOGRAPHIES OF CURRENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Non-executive Directors (5)

(1) Mr. Chen Youan

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

(2) Mr. Xu Guoping

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

(3) Mr. Li Chenghui

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

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(4) Mr. Shi Xun

born in January 1958, has been a non-executive Director of our Company since August 2011. Mr. Shi has also been serving as independent non-executive Director of Zhejiang Xianju Pharmaceutical Co., Ltd (浙江仙琚製藥股份有限公司) (a company listed on the SZSE, stock code: 002332) since December 2007. From August 1983 to September 1986, Mr. Shi served as assistant engineer in Nantong Machinery Plant of Light Industry. From October 1986 to January 1998, he served as assistant to supervisor of Economic System Reform Commission of Nantong City (南通市經濟體制改革委員會). From February 1998 to September 2007, Mr. Shi was deputy director of CSRC Shanghai Supervision Office of the Commissioner and the director of CSRC Shanghai Commissioner's Office. From September 2007 to November 2011, Mr. Shi was deputy general manager of Shanghai New Huangpu Real Estate Co., Limited (上海新黃浦置業股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600638), during which time he served as director of Jiangxi Ruiqi Futures Brokerage Company Limited (江西瑞奇期貨經紀有限公司) from November 2008 to November 2011. From October 2009 to November 2011, he was chairman of Huawen Futures Brokerage Co., Ltd. (華聞期貨經紀有限公司). Mr. Shi obtained a master's degree in business administration from Fudan University in June 2008.

(5) Ms. Qi Xiaoli

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

2. Executive Directors (2)

(1) Mr. Gu Weiguo

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



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(2) Mr. Wu Chengming

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

3. Independent Non-executive Directors (4)

(1) Mr. Wang Shiding

born in March 1944, was elected as an independent non-executive Director in December 2005, and has been independent non-executive Director of our Company since January 2007. Mr. Wang also serves as a researcher in Institute of Fiscal Science of Ministry of Finance, member of the Examination Committee of Certified Public Accounts of the Ministry of Finance, member of the Auditing Standards Committee of the Chinese Institute of Certified Public Accountants, executive member of China Accountants Society, independent non-executive Director of Limin Chemical Co., Ltd. (利民化工股份有限公司), independent non-executive Director of Guangzhou Hengyun Enterprise Holdings Co., Ltd. (廣州恒運企業集團股份有限公司) (a company listed on the SZSE, stock code: 000531), independent non-executive Director of Lancy Co., Ltd. (朗姿股份有限公司) (a company listed on the SZSE, stock code: 002612), independent non-executive Director of Beijing Utour International Travel Service Co., Ltd (北京眾信國際旅行社股份有限公司) and independent non-executive Director of Huatai Securities Co., Ltd. (華泰證券股份有限公司). From July 1982 to December 1984, he held a teaching position in the post-graduate department of Institute of Fiscal Science of Ministry of Finance. From December 1984 to May 1990, he served consecutively as deputy supervisor and supervisor in the accounting research office of Institute of Fiscal Science of Ministry of Finance. From May 1990 to May 2001, he was deputy head of Institute of Fiscal Science of Ministry of Finance. From May 2001 to March 2004, he served as consultant of Institute of Fiscal Science of Ministry of Finance. Mr. Wang obtained a master's degree in economics from Institute of Fiscal Science of Ministry of Finance in July 1982. He is a non-practising member of the Chinese Institute of Certified Public Accountants.

(2) Mr. Liu Feng

born in June 1963, has been an independent non-executive Director of our Company since April 2011. Mr. Liu has been Adjunct Professor at the Management School of McGill University, Canada since January 2006, 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) since April 2007, and supervisor of FPSB China Ltd. (現代國際金融理財標準(上海)有限公司) since December 2011. 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 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

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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.

(3) Mr. Zhou Ruijin

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

(4) Mr. Wu Yuwu

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



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4. SUPERVISORS(5)

(1) Mr. Yu Wenxiu

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

(2) Mr. Zhong Cheng

born in April 1963, was elected as the Supervisor in December 2005, and has been Supervisor of our Company since January 2007. Mr. Zhong has also been serving as supervisor of Galaxy Financial Holdings since August 2005, and supervisor and chairman of the supervisory committee of Galaxy Futures since July 2012. 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.

(3) Mr. Wu Huanliang

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

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(4) Mr. Gu Shulin

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

(5) Ms. Liu Zhiyi

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

5. SENIOR MANAGEMENT (9)

(1) Ms. Chen Jing

born in January 1963, has been the Vice President of our Company since August 2007, responsible for settlement management and information technology. She has also been chairman of our labor union committee since October 2012 and a member of the executive committee of our Company since December 2012. From March 1997 to March 2000, Ms. Chen served consecutively as deputy general manager and general 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. Ms. Chen obtained a bachelor's degree in engineering from Engineering Institute of Central China in July 1984, and a master's degree in engineering from Xi'an Electronic Technology University in February 1990. She is a senior engineer recognized by China Cinda Asset Management Co. Ltd (中國信達資產管理公司) in December 2000.



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(2) Ms. Huo Xiaoyu

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

(3) Mr. Zhu Yongqiang

born in 1965, joined in the brokerage business department of the Company in November 2012. From February 2013 till now, he served consecutively as general manager of the brokerage management headquarters of the Company, chief director of the brokerage business of the Company and member of the Executive Committee. Mr. Zhu has over 15 years of working experiences, including: served as the vice president of Huatai United Securities Co., Ltd. from January 2005 to June 2011 and the managing director of development management committee of brokerage business of CITIC Securities Co., Ltd from July 2011 to November 2012. Mr. Zhu obtained a bachelor's degree in science from Wuhan University in July 1986, and a master's degree in Engineering from Zhejiang University in June 1989. In October 2009, he obtained EMBA from Cheung Kong Graduate School of Business.

(4) Mr. Wang Liuqi

born in December 1971, has been holding positions as a general manager of our investment banking head office since February 2012, and Chief Business Officer of Equity Financing Business of our Company since March 2012. He is responsible for our investment banking business including equity financing, mergers and acquisitions and restructuring. He has also been a member of the executive committee of our Company since December 2012. From July 1993 to December 1999, Mr. Wang was engaged in education and research work in Changchun Institute of Engineering (長春工程學院). From December 1999 to December 2009, he worked in Northeast Securities Company Limited, 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). Mr. Wang obtained a bachelor's degree in management from Changchun Institute of Tax in December 1995, a master's degree in management from Changchun Institute of Tax in June 2001, and a doctor's degree in management from Institute of Fiscal Science of Ministry of Finance in June 2009. He is a non-practising member of The Chinese Institute of Certified Accountants and a Fellowship of Chartered Certified Accountant (FCCA). He is also among the first batch of sponsor representatives in China.

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(5) Mr. Dai Xu

born in October 1963, has been the Chief Business Officer of Fixed Income of our Company since March 2012, in charge of our fixed income business. He has also been a member of the executive committee of our Company since December 2012. From July 1992 to August 1996, Mr. Dai was director-level clerk of Foreign Capital Department of State Development Planning Commission (currently National Development and Reform Committee). From August 1996 to June 2002, he served as general manager of the International Finance Organization refinancing department in China Economic Development Trust Investment Company (中國經濟開發信託投資公司). From November 2004 to January 2007, he served as deputy general manager of investment banking head office of Galaxy Limited. From January 2007 to April 2008, he served as deputy general manager of investment banking head office of our Company. From April 2008 to March 2012, he was managing director of debt financing department in our Company. Mr. Dai obtained a doctor's degree in economics from Chinese Academy of Social Sciences in July 1992.

(6) Mr. Yin Yanwu

born in March 1974, has been the Chief Business Officer of Asset Management Business of our Company since December, 2012. He is responsible for our asset management business. He has also been a member of the executive committee of our Company since December 2012. From September 2005 to April 2007, Mr. Yin was responsible for investment analysis in West Asset Management 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 Acting Chief Business Officer of Asset Management Business of our Company. Mr. Yin obtained a bachelor's degree in engineering from Beijing University of Aeronautics & Astronautics in July 1997, a master of law degree from Peking University in January 2003, and a master of science degree in Quantitative and Computational Finance from Georgia Institute of Technology in May 2005.

(7) Ms. Zhu Ruimin

born in September 1970, has served as the Chief Financial Officer of our Company since April 2012. She is in charge of the business affairs of our Finance and Planning Department and Investment Management Department. She has also been a member of the executive committee of our Company since December 2012. 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). Ms. Zhu obtained a bachelor's degree in economics from Changchun Institute of Taxation 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. She is a senior accountant recognized by Beijing Senior Professional Qualifications Committee (北京市高級專業技術資格評審委員會) in May 2011.



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(8) Mr. Wu Jianhui

born in November 1970, has been the Chief Human Resources Officer of our Company since November 2011. He is in charge of our human resource affairs. He has been a member of the executive committee of our Company since December 2012. Mr. Wu has also been serving as director of Galaxy Capital since July 2011. 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. From January 2006 to December 2007, Mr. Wu was an assistant general manager of human resources department in Bank of China Limited, during which he also served as director of Bank of China Insurance Co., Ltd. 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. 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.

(9) Mr. Li Shuhua

born in October 1971, has been the Chief Compliance Officer of our Company since April 2010 and Chief Risk Officer as well as Chief Compliance Officer of our Company since November 2011. He has also been a member of the executive committee of our Company since December 2012. From January 2000 to September 2003, Mr. Li served as director-level clerk of general office division of accounting department of CSRC. From September 2003 to February 2010, he served consecutively as deputy division director of auditing division of accounting department, deputy division director of general office division, division director of financial budgeting management division and division director of general office division of accounting department in CSRC. 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. He is a non-practicing member of The Chinese Institute of Certified Public Accountants.

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IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(i) Changes in Directors

On 25 January 2013, at the first extraordinary general meeting of 2013: (i) the Resolution Concerning Consideration of Application for Resignation from Zhong Wei was passed and the resignation of Mr. Zhong Wei as Independent Non-executive Director of the Company due to personal reason was approved; (ii) the Resolution Concerning Consideration of Nomination of Mr. Zhou Ruijin as Independent Director candidate of the Company was passed and Mr. Zhou Ruijin was elected as Independent Non-executive Director of the Company; (iii) the Resolution Concerning Consideration of Nomination of Mr. Wu Yuwu as Independent Director candidate of the Company was passed and Mr. Wu Yuwu was elected as Independent Non-executive Director of the Company.

(ii) Changes in Supervisors

1. On 20 May 2013, at the 2012 annual general meeting of the Company, the Resolution Concerning Consideration of Addition of Members of the second session of Supervisory Committee of China Galaxy Securities Co., Ltd. was passed and Mr. Wu Huanliang was approved to act as an external Supervisor of the Company, performing his duties from the Listing Date.
2. On 11 April 2013, Ms. Liu Zhiyi was elected as a supplementary employee Supervisor of the Company at the sixth meeting of the first employee representative congress of the Company. performing her duties from the Listing Date.

(iii) Changes in senior management

On 26 August 2013, the Resolution Concerning Proposed Appointment of Mr. Zhu Yongqiang as the Chief Officer of the Brokerage Business and Member of the Executive Committee of China Galaxy Securities Co., Ltd. was passed at the 36th meeting of the second session of the Board, and Mr. Zhu Yongqiang was appointed as the Chief Officer of the Brokerage Business and Member of the Executive Committee of the Company.



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

V. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- (i) Basic system and decision-making procedure 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 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.

60% of the annual performance bonus of senior management will be settled in the current period, and the remaining 40% will be deferred and settled in equal installments in 3 years.

Where the requirements of the *Administrative Measures of Review on Remuneration of Central Financial Institutions' Leaders* issued by Ministry of Finance of China is applicable, the annual performance salaries of Directors, Supervisors and senior management of the Company will be paid 50% upon the settlement of remuneration in the next year, and the balances (50%) delayed in payment will be paid in 3 equal installments in the latest 3 years.

- (ii) For the details of the annual remuneration and its distribution among Directors, Supervisors and senior management of the Company, please refer to 'Basic information on the current and resigned Directors, Supervisors and Senior Management during the Reporting Period' in this section.
- (iii) Non-cash remunerations: Currently, the Company has not implemented any equity incentive policy, and Directors, Supervisors and senior management of the Company have not held any shares or options of the Company.
- (iv) Deferred payments of remunerations: The data for 2013 will be determined after completion of settlement of annual remuneration.

SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

VI. DETAILS AND REMUNERATION OF STAFFS

(i) Numbers and composition of staffs

As at the End of the Reporting Period, the Group had 7,829 employees (including client managers in sales), of which 6,981 (including client managers in sales) were employees of the Company, and their compositions are set out below:

Items	The Group		The Company	
	Number of persons	Percentage (%)	Number of persons	Percentage (%)
Professional				
Securities brokerage	5,532	70.66%	5,505	78.86%
Futures brokerage	564	7.20%	0	0.00%
Investment banking	240	3.07%	223	3.19%
Assets management	50	0.64%	32	0.46%
Proprietary trading	34	0.43%	34	0.49%
Private equity investment	15	0.19%	0	0.00%
Investment research	158	2.02%	125	1.79%
Clearing	61	0.78%	48	0.69%
Legal/Risk Control/Audit	243	3.10%	222	3.18%
IT	398	5.08%	360	5.16%
Planning and Finance	318	4.06%	300	4.30%
Administrative management	216	2.77%	132	1.88%
Total	7,829	100.00%	6,981	100.00%
Educational Background				
Doctors	61	0.78%	57	0.82%
Masters	898	11.47%	750	10.74%
Bachelors	4,533	57.90%	4,022	57.61%
Associate degree and below	2,337	29.85%	2,152	30.83%
Total	7,829	100.00%	6,981	100.00%
Age				
30 or below	3,040	38.84%	2,572	36.84%
31-40	2,681	34.24%	2,404	34.44%
41-50	1,895	24.20%	1,804	25.84%
51 or above	213	2.72%	201	2.88%
Total	7,829	100%	6,981	100%

As at the End of the Reporting Period, the Group had 209 retirees, of which 194 were early-retired staffs. The Company had 208 retirees, of which 194 were early-retired staffs.



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(ii) Remuneration of staffs

The remuneration of staffs of the Company comprises of basic remuneration, allowances, performance based bonus and benefits. The basic remuneration is a relatively fixed part in the composition of remuneration, which is the basic income of staffs. The allowances include allowances for management positions and for professional and technical personnel, which are supplement to the basic remuneration. The performance based bonus is derived from annual profits of the Company, and will be distributed based on results of performance assessment, which will tilt towards the business segments and staffs with outstanding performance.

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 accidental injury insurance for its employees.

The Company is actively exploring to set up equity incentive plan for its employees and has established a working panel in respect of design of the equity incentive plan of the Company. Subject to the permission of external legal policy environment, the Company will initiate its equity incentive plan for employees in due time.

(iii) Training Plan

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

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

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

Securities brokers are natural persons other than the Company's employees who accept the Company's mandate to act as agents and engage in brokerage related activities such as customer solicitation and customer services within the authorisation of the Company, with whom the Company enters into agency contracts. The Company enters into agency contract with securities brokers. The Company adopts centralized management of such brokers. The headquarters of the Company formulated securities broker management measures and related systems, established a securities broker management platform, and centralized the management of securities branch and broker's qualification, examination and approval, registration, business training, performance appraisal, risk control etc. The Company's securities branches are responsible for the daily management of brokers. As of 31 December 2013, there were 446 brokers.

SECTION X CORPORATE GOVERNANCE REPORT

I. OVERVIEW OF CORPORATE GOVERNANCE

As the Company is listed in Hong Kong and incorporated in Mainland China, the Company strictly conforms to the requirements of the laws, regulations and regulatory documents issued in Hong Kong and Mainland China, operates in compliance with the law, and is continually dedicated to maintain and improve the outstanding social image of the Company. According to the Company Law and the Securities law and other laws, regulations and regulatory requirements, the Company has established a power-balanced and duty-segregated governance structure between the general meeting, the Board of Directors, the Supervisory Committee and the management, which will ensure the standard operation of the Company. 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.

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

II SHAREHOLDERS AND GENERAL MEETINGS

(i) Rights of General Meetings and Shareholders

As the supreme authority of the Company, the general meeting of the Company exercises its rights according to the requirements of the Articles of Association and the procedural rules of the general meeting. The Company strictly adheres to the rules in convening and conducting the general meeting and ensures that all shareholders have equal rights and can fully exercise their rights. In 2013, the Company has convened five general meetings to answer the concerns of shareholders in detail and to carefully listen to opinions and suggestions expressed by the shareholders regarding the development of the Company.

(ii) Overview of General Meetings

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

1. On 25 January, 2013, the Company convened the 1st extraordinary general meeting of 2013 and passed the Resolution on Profit Distribution in the Period from Initial Public Offering Reporting Financial Statements Base Date to the Issue Date, the Resolution on Reviewing the Amendment of Articles of Association, the Resolution Concerning Consideration of the Application for Director Resignation from Zhong Wei, the Resolution Concerning Consideration of Nominating Mr. Zhou Ruijin as Independent Director of the Company, and the Resolution Concerning Consideration of Nominating Mr. Wu Yuwu as Independent Director of the Company.
2. On 20 February 2013, the Company convened the 2nd extraordinary general meeting of 2013 and passed the Resolution on Amending the Articles of Association of China Galaxy Securities Co., Ltd. (Applicable after Listing), the Resolution on Amending the Procedural Rules of the General Meeting of China Galaxy Securities Co., Ltd. (Applicable after Listing), the Resolution on Amending the Procedural Rules of the Meeting of the Board of Directors of China Galaxy Securities Co., Ltd. (Applicable after Listing) and the Resolution on Amending the Procedural Rules of the Meeting of the Supervisory Committee of China Galaxy Securities Co., Ltd. (Applicable after Listing).



SECTION X CORPORATE GOVERNANCE REPORT

3. On 24 April 2013, the Company convened the 3rd extraordinary general meeting of 2013 and passed the Resolution on the General Authorization of the Issuance of Debt Financing Instruments of China Galaxy Securities Co., Ltd, the Resolution on the Issue of Short Term Financing Bonds of China Galaxy Securities Co., Ltd, the Resolution on Establishing China Galaxy Asset Management Co., Ltd, the Resolution on the 2012 Final Accounts of China Galaxy Securities Co., Ltd, the Resolution on the 2012 Profit Distribution Plan of China Galaxy Securities Co., Ltd, the Resolution on Reviewing the 2012 Annual Report of China Galaxy Securities Co., Ltd, the Resolution on Reviewing the Financial Statements and the Auditor's Report for Year 2012, 2011 and 2010 of China Galaxy Securities Co., Ltd, the Resolution on the 2013 Draft Capital Expenditure Budget of China Galaxy Securities Co., Ltd, the Resolution on Amending the Administrative Measures for Connected Transactions of China Galaxy Securities Co., Ltd (Applicable after Listing), the Resolution on Amending the Working Rules for Independent Directors of China Galaxy Securities Co., Ltd (Applicable after Listing), the Resolution on Amending the Management Measures for External Guarantees of China Galaxy Securities Co., Ltd (Applicable after Listing) and the Resolution on Amending the Management System of Standardizing Fund Transfer with Related Parties of China Galaxy Securities Co., Ltd (Applicable after Listing).
4. On 20 May 2013, the Company convened the general meeting of 2012 and passed the 2012 Board of Directors' Working Report of China Galaxy Securities Co., Ltd, the Resolution on Reviewing the 2012 Supervisory Committee's Working Report of China Galaxy Securities Co., Ltd, the Resolution on Increasing Supervisors of the 2nd Supervisory Committee of China Galaxy Securities Co., Ltd, the Resolution on Amending the Articles of Association of China Galaxy Securities Co., Ltd (Applicable after Listing) and the Resolution on Amending the Procedural Rules of the General Meeting of China Galaxy Securities Co., Ltd (Applicable after Listing).
5. On 25 September 2013, the Company convened the 4th extraordinary general meeting of 2013, to consider and approve the re-appointment of the external auditing firm of the Company for the year 2013, to consider and approve the proposal of the Supervisor fees of Mr. Wu Huanliang, to consider and approve the purchase of liability insurance for Directors, Supervisors and Senior Management and liability insurance in respect of the H Share prospectus, to consider and approve the proposal of issuance of corporate bonds by the Company, to consider and approve the plan on authorization given by the general meeting to the Board of Directors and to consider and approve the amendment to the Articles of Association.

III BOARD OF DIRECTORS AND PERFORMANCE OF DUTIES

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

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

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

SECTION X CORPORATE GOVERNANCE REPORT

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

(ii) Composition of the Board of Directors

The Board will constantly modify the procedural rules of the Board of Directors, and exert its professional advantage as a special committee to further improve its decision-making efficiency and ability. In order to maximize the functions of the independent non-executive Directors, the number of independent non-executive Directors appointed by the Company increased from three to four during the Reporting Period. The independent non-executive Directors have faithfully performed their duties and have protected the overall interests of the Company, especially the interests of small and medium shareholders, which ensured the independence and scientificity of the decision-making by the Board.

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

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

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

(iii) Meetings of the Board of Directors

During the Reporting Period, the Board of Directors convened 13 meetings, the details and resolutions passed are as follows:

1. On 9 January 2013, the Company convened the 26th (interim) meeting of the 2nd session of the Board of Directors and passed the Resolution on the Authorisation by the Board of Directors on the Chairman to Handle Specific Matters in relation to the Initial Public Offering and Listing and the Resolution on Confirming the Appraisal Results of the Senior Management Appointed by Market-Oriented Means During the Probation Period.
2. On 18 January 2013, the Company convened the 27th (interim) meeting of the 2nd session of the Board of Directors and passed the Resolution on Amending the Articles of Association of China Galaxy Securities Co., Ltd (Applicable after Listing), the Resolution on Amending the Procedural Rules of the General Meeting of China Galaxy Securities Co., Ltd (Applicable after Listing), the Resolution on Amending the Procedural Rules of the Board of Directors of China Galaxy Securities Co., Ltd (Applicable after Listing) and the Resolution on Convening the 2nd Extraordinary General Meeting of Year 2013.
3. On 8 March 2013, the Company convened the 28th (interim) meeting of the 2nd session of the Board of Directors and passed the Resolution on Reviewing the Self-evaluation Report on Internal Controls for the Year 2012, the Resolution on the 2013 Profit Projection of China Galaxy Securities Co., Ltd, the Resolution on Investing in SAC Examination and Training Investment Management Company Limited by the Company, and the Resolution on the General Authorization of Issuance of Debt Financing Instruments of China Galaxy Securities Co., Ltd.



SECTION X CORPORATE GOVERNANCE REPORT

4. On 21 March 2013, the Company convened the 29th meeting (interim) of the 2nd session of the Board of Directors and passed the Resolution on the 2012 Final Accounts of China Galaxy Securities Co., Ltd, the Resolution on the 2012 Profit Distribution Plan of China Galaxy Securities Co., Ltd, the Resolution on Reviewing the Financial Statements and the Auditor's Report for Year 2012, 2011 and 2010 of China Galaxy Securities Co., Ltd, the Resolution on Reviewing the 2012 Annual Report of China Galaxy Securities Co., Ltd, the Resolution on the Anti-Fraud Management System and the Resolution on Establishing China Galaxy Asset Management Co., Ltd.
5. On 2 April 2013, the Company convened the 30th (interim) meeting of the 2nd session of the Board of Directors and passed the Resolution on the 2013 Draft Capital Expenditure Budget of China Galaxy Securities Co., Ltd, the Resolution on the Issuance of Short Term Financing Bonds of China Galaxy Securities Co., Ltd, the Resolution on Amending the Regulations, Rules and Administration measures of China Galaxy Securities Co., Ltd, the Resolution on Reviewing the Administrative Measures of the Authorisation of the Legal Representatives of China Galaxy Securities Co., Ltd, the Resolution on Amending the Terms of Reference of the Strategic Development Committee of the Board of Directors of China Galaxy Securities Co., Ltd (Applicable after Listing), the Resolution on Amending Procedure Rules of the Risk Management Committee of Board of Directors of China Galaxy Securities Co., Ltd (Applicable after Listing), the Resolution on Amending the Terms of Reference of the Nomination and Compensation Committee of Board of Directors of China Galaxy Securities Co., Ltd (Applicable after Listing), the Resolution on Amending the Terms of Reference of the Audit Committee of Board of Directors of China Galaxy Securities Co., Ltd (Applicable after Listing), the Resolution on Amending the Working Rules for the Secretary of the Board of Directors of China Galaxy Securities Co., Ltd (Applicable after Listing), the Resolution on Amending the Management Measures for Connected Transactions of China Galaxy Securities Co., Ltd (Applicable after Listing), the Resolution on Amending the Working Rules for the Independent Directors of China Galaxy Securities Co., Ltd (Applicable after Listing), the Resolution on Amending the Management Measures for External Guarantees of China Galaxy Securities Co., Ltd (Applicable after Listing), the Resolution on Amending the Management System of Standardizing Fund Transfer with Related Parties of China Galaxy Securities Co., Ltd (Applicable after Listing), the Resolution on Amending the Working Rules for the President of China Galaxy Securities Co., Ltd and the Resolution on Convening the 3rd Extraordinary General Meeting of Year 2013 of China Galaxy Securities Co., Ltd.
6. On 9 April 2013, the Company convened the 31st meeting of the 2nd session of the Board of Directors and passed the Resolution on Reviewing the 2012 President's Working Report, the Resolution on Reviewing the 2012 Board of Directors' Working Report of China Galaxy Securities Co., Ltd, the Resolution on Reviewing the 2012 Compliance Report of China Galaxy Securities Co., Ltd and the Resolution on Convening the General Meeting of Year 2012 of China Galaxy Securities Co., Ltd.
7. On 22 April 2013, the Company convened the 32nd (interim) meeting of the 2nd session of the Board of Directors and passed the Resolution on the H Share Global Offering of China Galaxy Securities Co., Ltd, the Resolution on the H Share Prospectus and the Relevant Documents of China Galaxy Securities Co., Ltd, the Resolution on the H Share Issuing Procedure of China Galaxy Securities Co., Ltd, the Resolution on Appointing Relevant Personnel and Intermediaries by China Galaxy Securities Co., Ltd, the Resolution on Registration as a Non-Hong Kong Company in Hong Kong by China Galaxy Securities Co., Ltd, the Resolution on Changing the Membership of the Special Committees of the Board of Directors of China Galaxy Securities Co., Ltd, the Resolution on Connected Transactions of China Galaxy Securities Co., Ltd and the Resolution on the 2013 Business Plan of China Galaxy Securities Co., Ltd.
8. On 20 May 2013, the Company convened the 33rd (interim) meeting of the 2nd session of the Board of Directors and passed the Resolution on the Purchase of Liability Insurance for Directors, Supervisors and Senior Management and Liability Insurance in respect of the H Share prospectus.
9. On 14 June 2013, the Company convened the 34th (interim) meeting of the 2nd session of the Board of Directors and passed the Resolution on Investing in the Zhongzhengjin Company by the Company and the Resolution on Adjusting the Enterprise Annuity Contribution Rate.

SECTION X CORPORATE GOVERNANCE REPORT

10. On 8 July 2013, the Company convened the 35th (interim) meeting of the 2nd session of the Board of Directors and passed the Resolution on the Issue of Corporate Bonds by the Company, the Resolution on the General Meeting Giving Authorisation to the Board of Directors, the Resolution on the Nomination and Re-appointment of the External Auditing Firm of the Company for the Year 2013 and the Resolution on Convening the 4th Extraordinary General Meeting of Year 2013 of the Company.
11. On 26 August 2013, the Company convened the 36th meeting of the 2nd session of the Board of Directors and passed the Resolution on the 2013 Draft Work Plan of China Galaxy Securities Co., Ltd, the Resolution on Reviewing the 2013 Interim Report of China Galaxy Securities Co., Ltd, the Resolution on Reviewing the 2013 Interim Compliance Report of China Galaxy Securities Co., Ltd, the Resolution on Appointing Mr. Zhu Yongqiang as the Director of Brokerage Business and Member of the Executive Committee of China Galaxy Securities Co., Ltd and the Resolution on the Board Diversity Policy of China Galaxy Securities Co., Ltd.
12. On 27 November 2013, the Company convened the 37th meeting of the 2nd session of the Board of Directors and passed the Resolution on Proposing that the Board of Directors Authorises the Operational Management Company to Apply for Regional Equity Market Membership, the Resolution on Reviewing the Financial Statements and the Auditor's Report for 3 Years and One Quarter, the Resolution on Connected Transactions of China Galaxy Securities Co., Ltd, the Resolution on Reviewing the Securities and Financial Services Framework Agreement Signed by the Company and China Galaxy Financial Holding Company Limited, the Resolution on Reviewing the Self-Evaluation Report on Internal Control for January to June of 2013, the Resolution on the Appropriation of RMB2 Million of the 2013 Poverty Relief Fund for Jingning County, Gansu Province, and the Resolution on Adjusting the Annual Caps for Continuing Connected Transactions for Security Services Provided to Galaxy Financial Holdings Group.
13. On 6 December 2013, the Company convened the 38th (interim) meeting of the 2nd session of the Board of Directors and passed the Resolution on Establishing by the Company the Custody Department and the Resolution on the Connected Transaction of Jointly Setting-up a Risk Management Subsidiary by Galaxy Futures and Galaxy Financial Holdings.

In addition, on 6 December 2013, the chairman and the non-executive Director of the Company held a meeting to consider and discuss matters relating to the Company's reform and development.

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

On 8 March 2013, Mr. Wang Shiding voted against the Resolution on Investing in SAC Examination and Training Investment Management Company Limited by the Company considered and reviewed at the 28th interim meeting of the 2nd session of the Board of Directors. (The reason was as follows: he considered that the expected return of the investment would be low and there was relatively high uncertainty involved.)

SECTION X CORPORATE GOVERNANCE REPORT

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

1. Attendance and voting of Directors at the Board meetings

Director's Name	Required attendance at Board meetings	Attendance in person	Attendance by proxy	Absence	Numbers of resolutions required for voting	Numbers of resolutions actually voted	Notes
Chen Youan	13	11	2	0	64	64	
Gu Weiguo	13	13	0	0	64	64	
Xu Guoping	13	11	2	0	64	64	
Wu Chengming	13	13	0	0	64	64	
Li Chenghui	13	13	0	0	64	64	
Shi Xun	13	13	0	0	64	64	
Wang Shiding	13	9	4	0	64	64	
Zhong Wei	2	1	1	0	6	6	resigned on 25 January 2013
Liu Feng	13	13	0	0	64	64	
Zhou Ruijin	11	9	2	0	58	58	
Wu Yuwu	11	9	2	0	58	58	
Qi Xiaoli	13	10	3	0	64	64	

2. Attendance of Directors at general meetings

Director's Name	Required attendance at general meetings	Attendance	Absence	Notes
Chen Youan	5	4	1	
Gu Weiguo	5	5	0	
Xu Guoping	5	4	1	
Wu Chengming	5	5	0	
Li Chenghui	5	5	0	
Shi Xun	5	5	0	
Wang Shiding	5	1	4	
Zhong Wei	1	1	0	resigned on 25 January 2013
Liu Feng	5	4	1	
Zhou Ruijin	4	1	3	
Wu Yuwu	4	4	0	
Qi Xiaoli	5	5	0	

SECTION X CORPORATE GOVERNANCE REPORT

(vi) Training for Directors

No.	Date of training	Training Participants	Training Contents
1	14 January 2013	Chen Youan, Gu Weiguo, Wu Chengming, Li Chenghui, Shi Xun	Special training on domestic and overseas media relations concerning IPO
2	9 April 2013	Chen Youan, Gu Weiguo, Wu Chengming, Li Chenghui, Shi Xun, Wang Shiding, Liu Feng, Qi Xiaoli	IPO listing and related matters
3	12 April 2013	Chen Youan, Gu Weiguo, Xu Guoping, Wu Chengming, Li Chenghui, Shi Xun	Overseas roadshow
4	26 August 2013	All Directors	Responsibilities and obligations of Directors of Hong Kong-listed company

IV. SPECIAL COMMITTEES UNDER THE BOARD AND PERFORMANCE OF DUTIES

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

On 22 April 2013, the Company convened the 32nd interim meeting of the 2nd session of the Board of Directors and passed the Resolution on Changing the Membership of the Special Committees of the Board of Directors of China Galaxy Securities Co., Ltd., which came into force from the date of passing the resolution. The composition of each committee before and after the change is shown in the following table:



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Names of committees	Names of members before the change	Names of members after the change
Strategy and Development Committee	Chen Youan (Chairman), Gu Weiguo, Xu Guoping, Wu Chengming, Li Chenghui, Shi Xun, Wang Shiding, Zhong Wei, Liu Feng	Chen Youan (Chairman), Gu Weiguo, Xu Guoping, Wu Chengming, Li Chenghui, Shi Xun, Qi Xiaoli, Wang Shiding, Liu Feng, Wu Yuwu, Zhou Ruijin
Risk Management Committee	Li Chenghui (Chairman), Gu Weiguo, Xu Guoping, Wu Chengming, Shi Xun, Wang Shiding, Liu Feng	Li Chenghui (Chairman), Gu Weiguo, Xu Guoping, Wu Chengming, Shi Xun, Liu Feng, Qi Xiaoli
Nomination and Remuneration Committee	Liu Feng (Chairman), Wang Shiding, Wu Chengming, Li Chenghui	Liu Feng (Chairman), Wang Shiding, Wu Yuwu, Zhou Ruijin, Li Chenghui
Audit Committee	Wang Shiding (Chairman), Liu Feng, Wu Chengming, Li Chenghui	Wang Shiding (Chairman), Liu Feng, Wu Yuwu, Zhou Ruijin, Shi Xun

(i) Strategy and Development Committee

1. Functions of the Committee

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

2. Work summaries and meetings of the Committee

During the Reporting Period, the Strategy and Development Committee convened 10 meetings, at which in-depth studies, discussion and demonstration of various issues were conducted in respect of the final accounts, the profit distribution plan, business plans, foreign investment, the issuance of debt financing instruments, the basic management system and the organizational settings of the Company, focusing on studying the relevant matters and plans concerning the IPO of H Shares of the Company. Recommendations were made to the Board, which effectively assisted the Board in carrying out related work.

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

- (1) On 8 March 2013, the 8th meeting of the Strategy and Development Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review and agreed to submit the following resolutions to the Board for review: the Resolution on the 2012 Final Accounts of China Galaxy Securities Co., Ltd, the Resolution on the 2012 Profit Distribution Plan of China Galaxy Securities Co., Ltd, the Resolution on Reviewing the 2012 Annual Report of China Galaxy Securities Co., Ltd, the Resolution on the 2013 Earnings Forecast Report of China Galaxy Securities Co., Ltd, the Resolution on Investing in SAC Examination and Training Investment Management Company Limited by the Company, the Resolution on the General Authorization of the Issuance of Debt Financing Instruments of China Galaxy Securities Co., Ltd and the Resolution on Establishing China Galaxy Asset Management Co., Ltd.

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- (2) On 21 March 2013, the 9th meeting of the Strategy and Development Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review and agreed to submit the following resolutions to the Board for review: the Resolution on Amending the Regulations, Rules and Administration Measures of China Galaxy Securities Co., Ltd, the Resolution on Reviewing the Administrative Measures of the Authorisation of Legal Representatives of China Galaxy Securities Co., Ltd., the 2012 Annual Work Report of the Strategy and Development Committee, the 2012 Annual Work Report of the Board of Directors, the Resolution on the 2013 Draft Capital Expenditure Budget of China Galaxy Securities Co., Ltd and the Resolution on the Issuance of Short Term Financing Bonds of China Galaxy Securities Co., Ltd.
- (3) On 9 April 2013, the 10th meeting of the Strategy and Development Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review and agreed to submit the following resolutions to the Board for review: the Resolution on the 2013 Business Plan of China Galaxy Securities Co., Ltd, the Resolution on the H Share Global Offering of China Galaxy Securities Co., Ltd, the Resolution on the H Share Prospectus and the Relevant Documents of China Galaxy Securities Co., Ltd, the Resolution on the H Share Issuing Procedure of China Galaxy Securities Co., Ltd, the Resolution on Appointing Relevant Personnel and Intermediaries by China Galaxy Securities Co., Ltd, the Resolution on Registration as a Non-Hong Kong Company in Hong Kong by China Galaxy Securities Co., Ltd, the Resolution on Changing the Membership of the Special Committees of the Board of Directors of China Galaxy Securities Co., Ltd. and the Resolution on Connected Transactions of China Galaxy Securities Co., Ltd.
- (4) On 4 June 2013, the 11th meeting of the Strategy and Development Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review and agreed to submit the Resolution on Investing in the Zhongzhengjin Company by the Company to the Board for review.
- (5) On 27 June 2013, the 12th meeting of the Strategy and Development Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review and agreed to submit the Resolution on the Public Offering of Corporate Bonds by the Company to the Board for review, and approved the Work System of the Advisory Committee of China Galaxy Securities Co., Ltd.
- (6) On 14 August 2013, the 13th meeting of the Strategy and Development Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review and agreed to submit the Resolution on the 2013 Draft Work Plan of China Galaxy Securities Co., Ltd. and the Resolution on Reviewing the Management Measures for Participating in the Trading of Treasury Bond Futures and Stock Index Futures by Proprietary Operations of China Galaxy Securities Co., Ltd. to the Board for review after modification and perfection.
- (7) On 23 August 2013, the 14th meeting of the Strategy and Development Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review and agreed to submit the Resolution on the 2013 Draft Work Plan of China Galaxy Securities Co., Ltd. to the Board for review after modification and perfection.
- (8) On 29 October 2013, the 15th meeting of the Strategy and Development Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review and agreed to submit the following resolutions to the Board to review: the Resolution on Proposing that the Board Authorises the Company's Management to Decode on the Participation in the Relevant Businesses of Regional Equity Trading Market and the Resolution on the Appropriation of RMB2 Million to the 2013 Poverty Relief Fund for Jingning County, Gansu Province.
- (9) On 6 December 2013, the 16th meeting of the Strategy and Development Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review and agreed to submit the Resolution on the 2014-2016 Development Planning of IT of the Company to the Board for review after modification and perfection.
- (10) On 13 December 2013, the 17th meeting of the Strategy and Development Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review and agreed to submit the Resolution on the Company Establishing the Custody Department to the Board for review.



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3. Attendance of members

Name of Members	Required Attendance at Meetings	Actual Attendance
Chen Youan	10	9
Gu Weiguo	10	8
Xu Guoping	10	8
Wu Chengming	10	10
Li Chenghui	10	10
Shi Xun	10	9
Wang Shiding	10	9
Liu Feng	10	10
Zhou Ruijin	7	2
Wu Yuwu	7	7
Qi Xiaoli	7	5

(ii) Risk Management Committee

1. Functions of the Committee

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

2. Work summaries and meetings of the Committee

During the Reporting Period, the Risk Management Committee convened 3 meetings, at which the Committee considered and reviewed the proposal of authorizations to the Board by the general meeting, the 2012 Compliance Report and the 2013 Interim Compliance Report, and listened to the reports about risk management of the Company in the first half of 2013. The Committee actively performed its duties and provided support for the Board in its decision-making.

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

- (1) On 21 March 2013, the 7th meeting of the 2nd session of Risk Management Committee of the Board was convened, at which the committee made a preliminary review and discussed the 2012 Annual Work Report of the Risk Management Committee and the Resolution on Reviewing the 2012 Compliance Report of China Galaxy Securities Co., Ltd.
- (2) On 27 June 2013, the 8th meeting of the 2nd session of Risk Management Committee of the Board was convened, at which the committee agreed to submit the Resolution on the General Meeting Giving Authorisation to the Board of Directors to the Board for review.
- (3) On 14 August 2013, the 9th meeting of the 2nd session of Risk Management Committee of the Board was convened, at which the committee agreed to submit the Resolution on Reviewing the 2013 Interim Compliance Report to the Board for review.

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3. Attendance of members

Name of Members	Required Attendance at Meetings	Actual Attendance
Li Chenghui	3	3
Gu Weiguo	3	2
Xu Guoping	3	2
Wu Chengming	3	3
Shi Xun	3	3
Liu Feng	3	3
Qi Xiaoli	2	2

(iii) Nomination and Remuneration Committee

1. Functions of the Committee

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

2. Work summaries and meetings of the Committee

During the Reporting Period, the Nomination and Remuneration Committee convened 6 meetings, at which the committee mainly studied and discussed various issues in respect of the adjustment of the payment ratio of enterprise annuities, the formulation of the Board members diversity policy and the appointment of chief director for the brokerage business of the Company, 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 8 March 2013, the 14th meeting of the 2nd session of Nomination and Remuneration Committee of the Board was convened, at which the committee made a preliminary review and agreed to submit the Resolution on Amending the Interim Measures for the Management of Remuneration of Senior Management of China Galaxy Securities Co., Ltd to the Board for review.
- (2) On 4 June 2013, the 15th meeting of the 2nd session of Nomination and Remuneration Committee of the Board was convened, at which the committee made a preliminary review and agreed to submit the Resolution on the Adjustment of the Payment Ratio of Enterprise Annuities to the Board for review.
- (3) On 8 July 2013, at the 16th meeting of the 2nd session of Nomination and Remuneration Committee of the Board, the Committee listened to the work reporting from the senior management of the Company.
- (4) On 14 August 2013, the 17th meeting of the 2nd session of Nomination and Remuneration Committee of the Board was convened, at which the committee made a preliminary review and agreed to submit the Resolution on Board Members Diversity Policy and the Resolution Concerning the Proposed Appointment of Mr. Zhu Yongqiang as the Director of the Brokerage Business of China Galaxy Securities Co., Ltd to the Board for review.
- (5) On 29 October 2013, at the 18th meeting of the 2nd session of Nomination and Remuneration Committee of the Board, the Committee discussed matters relevant to the tendering of improvement projects on comprehensive organizational structure design and optimization of human resources.
- (6) On 13 December 2013, the 19th meeting of the 2nd session of Nomination and Remuneration Committee of the Board was convened, at which the committee made a preliminary review and agreed to submit the Resolution on Reviewing the 2013 Examination Program on Results Targets of the Operational Management Officers and the Resolution on the 2012 Remuneration Settlement Program of Persons In Charge of the Company to the Board for review.

3. Attendance of members

Name of Members	Required Attendance at Meetings	Actual Attendance
Li Chenghui	6	5
Wang Shiding	6	4
Liu Feng	6	6
Zhou Ruijin	5	2
Wu Yuwu	5	4
Wu Chengming	1	1

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(iv) Audit Committee

1. Functions of the Committee

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

2. Work summaries and meetings of the Committee

During the Reporting Period, the Audit Committee convened 10 meetings, at which the committee mainly discussed various issues in respect of the appointment of the external auditor for the Company for 2013, the 2013 interim report, the self-evaluation report on internal control from January to June in 2013 and the adjustment for the annual caps of continuing connected transactions of providing securities services to Galaxy Financial Holdings Group.

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

- (1) On 20 February 2013, the Audit Committee of the Board and the Supervisory Committee held the first joint conference in 2013, at which they listened to the reporting on the 2012 external auditing of the Company by Deloitte Touche Tohmatsu CPA Limited (Special General Partnership).
- (2) On 8 March 2013, the 7th meeting of the 2nd session of the Audit Committee of the Board was convened, at which the Committee made a preliminary review and discussed the following resolutions: the Resolution on Reviewing the Self-evaluation Report on Internal Control for the Year 2012, the Resolution on the Anti-Fraud Management System of China Galaxy Securities Co., Ltd., the Evaluation Report on the Effectiveness of Compliance management for 2012, the 2013 Internal Audit Work Plan and the Implementing Rules for the Management of Connected Transactions of China Galaxy Securities Co., Ltd., and discussed the matter of impairment of financial assets available for sale.
- (3) On 21 March 2013, the 8th meeting of the 2nd session of the Audit Committee of the Board was convened, at which the Committee discussed the 2012 Annual Working Report of the Audit Committee of the Board and issues concerning the proposal for the appointment of the external auditor for 2013.
- (4) On 27 June 2013, the 9th meeting of the 2nd session of the Audit Committee of the Board was convened, at which the Committee agreed to submit the Resolution on the Nomination and Re-appointment of the External Auditing Firm of the Company for the Year 2013 to the Board for review, and to improve the Management Measures for Connected Transactions of the Company according to the requirements of the Hong Kong Stock Exchange.
- (5) On 14 August 2013, at the 10th meeting of the 2nd session of the Audit Committee of the Board, the Committee listened to the report on the review of the 2013 Interim Report of the Company.

- (6) On 23 August 2013, the 11th meeting of the 2nd session of the Audit Committee of the Board was convened, at which the Committee made a preliminary review and agreed to submit the Resolution on Reviewing the 2013 Interim Report of China Galaxy Securities Co., Ltd. and the Resolution on Reviewing the Self-evaluation Report on Internal Control from January to June in 2013 to the Board for review.
- (7) On 29 October 2013, the 12th meeting of the 2nd session of the Audit Committee of the Board was convened, at which the Committee made a preliminary review and agreed to submit the following resolutions to the Board for review: the Resolution on Reviewing the Financial Statements and the Auditor's Report of China Galaxy Securities Co., Ltd. for the Period from 1 January to 30 April 2013 Prepared According to Domestic and International Standards, the Resolution on Reviewing the Profit Distribution Plan of China Galaxy Securities Co., Ltd. for the Period from 1 January to 30 April 2013, the Resolution on Reviewing the Financial Statements and the Auditor's Report of China Galaxy Securities Co., Ltd. for 3 Years and One Period and the Resolution on the Connected Transactions of China Galaxy Securities Co., Ltd.
- (8) On 27 November 2013, the 13th meeting of the 2nd session of the Audit Committee of the Board was convened, at which the Committee made a preliminary review and agreed to submit the Resolution on the Adjustment of the Annual Caps of Continuing Connected Transactions of Providing Securities Services to Galaxy Financial Holdings Group to the Board for review.
- (9) On 6 December 2013, the 14th meeting of the 2nd session of the Audit Committee of the Board was convened, at which the Committee made a preliminary review and agreed to submit the Resolution on the Connected Transaction of Jointly Setting Up a Risk Management Subsidiary by Galaxy Futures and Galaxy Financial Holdings to the Board for review.
- (10) On 16 December 2013, the 15th meeting of the 2nd session of the Audit Committee of the Board was convened, at which the Committee made a preliminary review and agreed to submit the Resolution on Proposing to Amend the Interim Measures for Management of Internal Audit to the Board for review.

3. Attendance of Members

Name of Members	Required Attendance at Meetings	Actual Attendance
Wang Shiding	10	9
Shi Xun	8	7
Liu Feng	10	9
Zhou Ruijin	8	4
Wu Yuwu	8	6
Li Chenghui	2	2
Wu Chengming	2	2

V. CHAIRMAN AND GENERAL MANAGER (PRESIDENT)

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

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

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

VI. NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

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

VII. SUPERVISORY COMMITTEE AND PERFORMANCE OF DUTIES

(i) Responsibilities and duties of the Supervisory Committee

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

(ii) Meeting of Supervisory Committee and Attendance of Supervisors

The Supervisory Committee performs its relevant responsibilities and duties in accordance with related laws and regulations and the Articles of Association. During the Reporting Period, the Supervisory Committee held 4 meetings, the main contents of which are as follows:

1. On 16 January 2013, at the 1st interim meeting of the 2nd session of the Supervisory Committee in 2013, the Committee discussed the issues involving the Supervisory Committee in the Articles of Association (Draft) of China Galaxy Securities Co., Ltd. (Applicable after Listing) and decided to make amendments to it after the meeting based on the views discussed. The Committee reviewed and approved the Terms of Reference of the Supervisory Committee of China Galaxy Securities Co., Ltd. (Applicable after Listing), and submitted it to the general meeting for review after making amendments based on the views discussed.
2. On 7 March 2013, at the 2nd interim meeting of the 2nd session of the Supervisory Committee in 2013, the Resolution on the Exemption of the Notice Period of the 2nd Interim Meeting of the 2nd Session of the Supervisory Committee in 2013 and the Resolution on Reviewing the Resolution on Increasing Supervisors of 2nd session of Supervisory Committee of China Galaxy Securities Co., Ltd. proposed by the Supervisory Committee to the general meeting were reviewed and passed.
3. On 8 April 2013, at the 1st meeting of the 2nd session of the Supervisory Committee of the Company in 2013, the Committee reviewed and passed the Resolution on reviewing the 2012 Supervisory Committee's Work Report of China Galaxy Securities Co., Ltd. and decided to submit it to the general meeting for review after making amendments to it based on the views discussed. The annual work of Zhong Cheng (a Supervisor) in 2012 was evaluated at the meeting.



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4. On 18 June 2013, at the first meeting of the Supervisory Committee of the Company after listing, the Resolution on the Amendment of the Articles of Association, the Resolution on Proposing to the General Meeting to Review and Approve Amendments to the Articles of Association, the Resolution on Reviewing the Allowances for Wu Huanliang and the Resolution on Proposing to the General Meeting to Review and Approve the Allowances for Wu Huanliang were passed.

Attendance of Supervisors:

Name of Supervisor	Required Attendance at Meetings	
	Required Attendance at Meetings	Actual Attendance
Yu Wenxiu	4	4
Zhong Cheng	4	4
Wu Huanliang	1	1
Gu Shulin	4	4
Liu Zhiyi	1	1

VIII OTHER RELEVANT MATTERS

(i) Rights of shareholders

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

(ii) Compliance with the Model Code

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. Except for Mr. Wu Yuwu, an independent non-executive Director, all Directors and Supervisors confirmed that they have complied with all standards set out in the Model Code from the Listing Date to the end of the Reporting Period. As disclosed in the 2013 Interim Report, the Company was informed by Mr. Wu Yuwu that his spouse subscribed for and purchased 210,000 H Shares of the Company during the Reporting Period. At the time of the purchase, Mr. Wu Yuwu and his spouse did not possess any inside information, and the purchase was not made during the blackout period, but they did not perform their notification obligations in accordance with the Model Code. Mr. Wu Yuwu has subsequently informed the Company of the incident, and his spouse has sold all of such shares on the secondary market on 18 July 2013.

(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 report 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.

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(iv) Appointment and Remuneration of Auditing Firm

With the approval by the 4th extraordinary general meeting in 2013, the Company resolved to re-appoint Deloitte Touche Tohmatsu CPA Limited (Special General Partnership) and Deloitte Touche Tohmatsu as the Company's external auditors for 2013 to be responsible for the provision of related audit services and review services in accordance with the PRC Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively.

Are there any changes in the accounting firms appointed: No

Name of the PRC accounting firm, signing auditors and duration of service: Deloitte Touche Tohmatsu CPA Limited (Special General Partnership), Gu Jun and Ma Qiang (2011: Wang Pengcheng, Zheng Wei, 2012: Gu Jun and Fu Shanshan), 3 years; Name of the international accounting firm and duration of service: Deloitte Touche Tohmatsu, 1 year.

Remuneration for the accounting firm: According to the resolution at the 4th extraordinary general meeting in 2013, in 2013, the Company paid RMB3.70 million as external audit fees, of which RMB0.8 million was for reviewing the Company's Interim Report of H Shares, and RMB2.90 million was for the annual auditing and statutory audit fees in respect of H Shares. In 2013, the Company paid RMB3.28 million to Deloitte Touche Tohmatsu CPA Limited (Special General Partnership) and Deloitte Touche Tohmatsu as the 2013 annual audit fees and related services fees concerning the IPO auditing.

(v) Review by Audit Committee

The Audit Committee has reviewed the 2013 consolidated financial statements of the Company.

(vi) Company Secretary

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

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

According to Rule 3.29 of the Listing Rules, as of 31 December 2013, Mr. Wu Chengming and Ms. Yung Mei Yee both received relevant professional training of no less than 15 hours.

(vii) Communication with Shareholders

General meeting is the highest authority of the Company, through which shareholders can exercise their rights. The Company has established relevant systems to ensure that the general meeting is convened and held in compliance with regulations. Shareholders' rights are clearly set out in the Articles of Association, which ensures that all of the shareholders, especially medium and small shareholders, shall be informed and treated equally. Commencing from the listing date of the Company and until the end of the Reporting Period, the Articles of Association was revised once: provisions on the special committee of the Supervisory Committee were inserted according to the resolution passed on the 4th extraordinary general meeting in 2013. All of the revisions have been approved by the CSRC Beijing Bureau on 24 December 2013.

The Company has assigned dedicated persons to communicate with shareholders. We highly respect the opinions and suggestions brought out by shareholders and do our best to meet their reasonable requirements as soon as possible.



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The Company has established the “Investor Relations” section on our website www.chinastock.com.cn for publishing announcements and financial data and other information of the Company. All shareholders can also directly make enquiries by phone which will be dealt with appropriately in a timely manner. Please refer to the section “1. Company Profile” in Section III of this report for our contact details.

The Company welcomes all shareholders to attend general meetings and provides convenience to shareholders who are attending if allowable. The Company’s Directors, Supervisors and senior management officers will attend general meetings. In accordance with Rule E.1.2 of the Corporate Governance Code, the chairman of the Board, the Audit Committee, the Nomination and Remuneration Committee and the Directors 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 websites of the Company and the Hong Kong Stock Exchange.

The Company shall arrange the Board to answer questions raised by shareholders during the 2013 annual general meeting.

(viii) Investor Relations Activities

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

(ix) Board Member Diversity Policy

The Company has adopted the Board Member Diversity Policy pursuant to Rule A.5.6 of the CG Code.

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

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

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(x) Internal Control

1. Development of Internal Control System

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

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

During the Reporting Period, the Company has established an internal monitoring system of important information and procedures and internal monitoring measures on processing and releasing price-sensitive information.

The Company has established and improved the systems such as information fire wall and the administrative system for registration of persons with inside information to protect the misuse and dissemination of sensitive information in accordance with regulatory requirements. In addition, the Company has also observed the requirements of laws, regulations, the Listing Rules, the Articles of Association and the administrative measures for information disclosure to truthfully, accurately, completely and timely disclose information, ensuring that all investors have equal opportunities to access relevant information of the Company in a timely manner.

2. Internal Control Evaluation

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

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

The Board of the Company has completed an evaluation on the internal controls of the Group according to the requirement of the Basic Internal Control Norms for Enterprises. According to the Company's conclusion on material defect in the internal control over financial reporting, as at the reference date of internal control assessment (31 December 2013), there was no material defect in the Group's internal control over the financial reporting. The Board considered that the Group has maintained effective internal control over financial reporting in all material aspects in accordance with requirements of the Basic Internal Control Norms for Enterprises and the relevant rules. According to the Company's conclusion on material defect in the internal control over non-financial reporting, as at the reference date of internal control assessment (31 December 2013), there was no material defect in the Group's internal control over non-financial reporting.



SECTION X CORPORATE GOVERNANCE REPORT

Deloitte Touche Tohmatsu CPA Limited (Special General Partnership) was engaged by the Company to audit the effectiveness of internal control over financial reporting of the Company as of 31 December 2013 in accordance with the Guidelines for Audit of Enterprise Internal Control and relevant requirements of the Code of Practice for Certified Public Accountants of China. It issued the Internal Control Audit Report and concluded that “the Company has maintained effective internal control over financial reporting in all material aspects in accordance with requirements of the Basic Internal Control Norms for Enterprises and the relevant rules.

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

3. Other Matters

(1) *Development of the Compliance Management System*

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

1. Improve the compliance organizational management structure to provide organizational guarantee

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

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

The brokerage business (including margin financing and securities lending, Futures IB Business and sales of financial products) compliance management sector is in charge of the compliance management of the brokerage business, the margin financing and securities lending business, the Futures IB Business and the agency sales of financial products, and performs functions such as system management, compliance review, compliance supervision and inspection, compliance training and compliance enquiry, etc. of such businesses; and leads, organizes and carries out anti-money laundering work.

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

SECTION X CORPORATE GOVERNANCE REPORT

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

The investment research compliance management and the central control room sector is in charge of the compliance management of the investment research business and the central control of information fire wall, and performs functions such as collecting, processing, monitoring, inspecting and cross-wall examining sensitive information, etc.

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

In order to strengthen the compliance management toward branches, the Company has assigned 21 compliance officers in 20 regions and 234 full-time and part-time compliance managers in 234 branches, which enables compliance management to extend to the front line of the business.

2. Improve the Company's institutional system and tamp the foundation of compliance management

Guided by the idea of "building a company with advanced systems", the legal and compliance department of the Company, by taking the opportunity of the rollout of the System Management Provisions of the Company, took the lead in organizing the comprehensive and systematic sorting out revision of the existing regulatory systems. Systems after revision are divided into basic systems, specific rules and regulations and implementation rules based on three clear effectiveness levels, and are unified and standardized in terms of format.

With the Company's business transformation and development and the management concept constantly improving, and changes in market environment and adjustment in regulatory policies, the Company promulgated various new business systems, and revised and improved the existing systems in time so as to ensure the Company's various business systems are consistent with laws and regulations as well as regulatory policies.

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

In 2013, the Company focused on the management of employees' practice behavior and conflicts of interests and intensified information fire wall construction. Regarding the management of employees' practice behaviors, the Company put emphasis on improving the effectiveness of management, and included compliance training for new employees and compliance auditing for resigning employees in the induction and resignation process, and improved the monitoring function of the compliance management system to enhance the pre-warning ability for employees' practice compliance violations; the Company also integrated compliance training into employees' daily practice behaviors by establishing a penetrative compliance training mechanism for employees.

In 2013, the Company organized several anti-money laundering training targeting to different posts, conducted annual and semi-annual compliance inspection on the anti-money laundering work of its relevant business sections and the stock exchanges. In so doing, the business staff's anti-money laundering awareness and level are effectively enhanced.



SECTION X CORPORATE GOVERNANCE REPORT

(2) *Inspection completed by the compliance department*

During the Reporting Period, according to requirements of the regulatory authorities, the focus of the Company's periodic internal control management, the material risk events in the market and the major risk issues reflected in the daily management, the Company mainly conducted compliance inspections, including: Interim intermediary introduction business regarding futures for 2012 and compliance inspection on the broker business for the first six months of 2013, the annual compliance inspection on the directional and collective asset management businesses for 2012, special compliance inspection on the specific collective plan for Hedge Fund 1, compliance inspection on the agency sale business, compliance inspection on the bond investment business, and special inspection on the authority management in respect of the CRM system etc..

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

During the Reporting Period, the internal audit department of the Company continued to adhere to the risk-oriented, internal control-focused and value adding-targeted mission, and mainly audited the high-risk businesses concerned by the Company's headquarters, domestic subsidiaries, stock exchanges and regulatory authorities. During the Reporting Period, the audit department of the Company organized and completed a total of 105 audit projects, including a self-evaluation on the annual internal control of the Company's headquarters, an assessment on the annual compliance effectiveness and 10 projects concerning the audit of internal control and economic responsibility of the institutional client group, the investment advisory department, the research department, the settlement management department, the administrative service center, etc.; one project concerning economic responsibility of persons-in-charge of subsidiaries; and the internal control audit of 66 securities branches and economic responsibility audit of persons-in-charge of 28 securities branches.

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

The Company had a sound organizational system for net capital risk control indicator management. The planning and finance department was responsible for the management of the Company's net capital risk control indicator; the risk management department monitored the Company's net capital risk control indicator management and conducted net capital stress tests; and the audit department conducted an internal audit and examination on net capital management. In 2013, the Company's planning and finance department continued to develop and improve the net capital monitoring supporting system so as to extract financial data more timely and accurately, to ensure a stable and well-running dynamic monitoring system of net capital, and to realize real-time and dynamic monitoring and pre-warning of the Company's net capital risk control indicators; improved the existing work process of net capital from the perspectives such as indicator management, business pre-warning and system emergency, strengthened the indicator management linkage mechanisms between various departments, increased information communication between businesses and regulation lines, and improved monitoring on major annual expenditure. Net capital risk control indicator monitoring in 2013 showed that the Company's risk control indicators conformed to regulatory provisions. Through the sensitivity analysis and the stress test mechanism, and based on the needs of market and business development, the Company regularly and irregularly conducted stress tests and sensitivity analysis, analyzed the influence of possible states in the future on the Company's net capital risk control indicators, and worked out corresponding countermeasures. The stress tests and sensitivity analysis work completed included the Company's issue of short-term financing bonds, bond pledged quotation-based repurchase, income receipt and other innovative businesses, and capital increase of new asset management subsidiaries etc..

SECTION X CORPORATE GOVERNANCE REPORT

The Company established a dynamic top-up mechanism and made long-term top-up plans for net capital so as to put forward suggestions on net capital top-ups in time in case of anticipated net capital shortage due to needs from business development of the Company, or net capital shortage caused by unpredictable factors in the course of implementation. Demand for business funds posted a trend of significant increase because of rapid development of the Company's innovative businesses like margin trading and short selling and profit every day. To enhance the Company's net capital strength, and to promote rapid development of the Company's capital-based intermediary business, the Company issued H Shares in May 2013, raising HK\$7.806 billion, substantially all of which were settled during the Reporting Period, which not only topped-up the Company's net capital greatly but also enabled the Company to refinance. Given the needs of further business development of the Company and according to its strategic planning, the Company is actively seeking to list A Shares in order to further enhance its net capital strength.

(5) Account regulation

During the Reporting Period, the Company further finalized the long-term mechanism of account regulation management, formulated rules and regulations 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; worked out relevant operating procedures for re-activating dormant accounts and regulating unqualified 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 12 unqualified fund accounts, and recorded 1,883 unqualified fund accounts at the end of the Reporting Period; re-activated 8,964 petty dormant fund accounts, increased 102,285 petty dormant accounts annually and logged 2,091,541 petty dormant fund accounts (including: 536,735 pure fund accounts under management with reference to standards for dormant account management). Apart from that, the Company scored 90 fund accounts judicially frozen at the end of the Reporting Period, decreasing by 2 accounts.

Item	At the end of 2012 (RMB Accounts)	At the end of 2013 (RMB Accounts)	Change
Dormant fund accounts	1,998,700 (including pure fund accounts: 538,873)	2,091,541 (including pure fund accounts: 536,735)	Increased by 102,285 Re-activated 8,964
Unqualified fund accounts	1,895	1,883	Decreased by 12
Judicially-frozen fund accounts	92	90	Decreased by 2
Risk disposition accounts	0	0	



SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

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

We have audited the consolidated financial statements of China Galaxy Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 137 to 255, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

26 March 2014

SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2013	2012
Revenue			
Commission and fee income	5	5,039,498	3,830,546
Interest income	6	2,666,446	1,698,648
Net investment gains	7	697,427	394,813
Total revenue		8,403,371	5,924,007
Other income and gains	8	22,858	37,553
Total revenue and other income		8,426,229	5,961,560
Depreciation and amortization	9	(218,793)	(283,809)
Staff costs	10	(2,490,499)	(1,870,806)
Commission and fee expenses	11	(171,219)	(107,650)
Interest expenses	12	(684,627)	(279,105)
Other operating expenses	13	(1,775,573)	(1,506,907)
Impairment losses	14	(192,166)	(26,970)
Total expenses		(5,532,877)	(4,075,247)
Share of result of an associate		(334)	–
Profit before income tax		2,893,018	1,886,313
Income tax expense	15	(738,087)	(453,775)
Profit for the year		2,154,931	1,432,538
Attributable to:			
Owners of the Company		2,135,247	1,419,779
Non-controlling interests		19,684	12,759
		2,154,931	1,432,538
Earnings per share attributable to			
Owners of the Company (in RMB Yuan)			
– Basic	16	0.31	0.24
– Diluted	16	0.31	N/A



SECTION XI INDEPENDENT AUDITOR'S REPORT AND 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 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2013	2012
Profit for the year	2,154,931	1,432,538
Other comprehensive (expense)/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	(285,042)	(12,740)
Reclassification adjustment to profit or loss on disposal	(147,489)	(5,433)
Reclassification adjustment to profit or loss on impairment	21,911	29,966
Income tax impact	102,655	(2,948)
Subtotal	(307,965)	8,845
Share of other comprehensive income of an associate	190	–
Exchange differences arising on translation	(14,028)	(1,535)
Net other comprehensive (expense)/income that may be reclassified to profit or loss in subsequent periods	(321,803)	7,310
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Remeasurement of defined benefit obligation	20,292	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	20,292	–
Other comprehensive (expense)/income for the year, net of income tax	(301,511)	7,310
Total comprehensive income for the year	1,853,420	1,439,848
Attributable to:		
Owners of the Company	1,833,736	1,427,089
Non-controlling interests	19,684	12,759
	1,853,420	1,439,848

SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
		2013	2012
Non-current assets			
Property and equipment	18	393,674	515,600
Goodwill	19	223,278	223,278
Other intangible assets	20	349,251	362,811
Investment in an associate	22	19,856	–
Available-for-sale financial assets	24	495,050	742,976
Deferred tax assets	25	308,204	174,385
Total non-current assets		1,789,313	2,019,050
Current assets			
Advances to customers	26	18,392,778	5,438,668
Accounts receivable	27	300,915	202,880
Prepaid taxes		29,894	268,136
Other receivables and prepayments	28	832,083	433,467
Loan investment		90,000	–
Available-for-sale financial assets	24	9,295,082	5,908,000
Financial assets held under resale agreements	30	1,283,838	809,523
Financial assets held for trading	31	5,027,321	4,622,021
Financial assets designated as at fair value through profit or loss	32	942,506	831,037
Derivative financial assets	33	2,281	–
Deposits with exchanges and a non-bank financial institution	34	2,840,742	2,614,323
Clearing settlement funds	35	4,373,917	4,541,475
Bank balances	36	33,083,698	36,607,005
Total current assets		76,495,055	62,276,535
Total assets		78,284,368	64,295,585
Current liabilities			
Subordinated bonds	38	4,000,000	–
Due to banks and a non-bank financial institution	39	592,687	318,858
Accounts payable to brokerage clients	40	36,451,282	39,745,629
Accrued staff costs	41	1,287,722	1,104,837
Other payables and accruals	42	1,616,371	363,707
Current tax liabilities		8,370	20,270
Derivative financial liabilities	33	7,883	–
Financial assets sold under repurchase agreements	43	8,898,387	5,183,436
Total current liabilities		52,862,702	46,736,737
Net current assets		23,632,353	15,539,798
Net assets		25,421,666	17,558,848



SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
		2013	2012
Equity			
Share capital	44	7,537,259	6,000,000
Reserves	45	11,542,320	6,268,232
Retained profits		6,095,249	5,161,627
Equity attributable to owners of the Company		25,174,828	17,429,859
Non-controlling interests		246,838	128,989
Total equity		25,421,666	17,558,848

SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
		2013	2012
Non-current assets			
Property and equipment	18	352,885	480,812
Goodwill	19	223,278	223,278
Other intangible assets	20	336,382	354,971
Investments in subsidiaries	21	2,367,160	2,014,752
Investment in an associate	22	19,856	–
Available-for-sale financial assets	24	200,100	300,526
Deferred tax assets	25	290,306	150,991
Total non-current assets		3,789,967	3,525,330
Current assets			
Advances to customers	26	17,660,392	5,171,621
Accounts receivable	27	118,690	88,602
Prepaid taxes		29,894	268,136
Other receivables and prepayments	28	758,393	392,470
Amounts due from subsidiaries	29	157,366	127,189
Available-for-sale financial assets	24	8,555,256	5,908,000
Financial assets held under resale agreements	30	1,283,838	659,523
Financial assets held for trading	31	4,991,274	4,427,645
Financial assets designated as at fair value through profit or loss	32	942,506	831,037
Derivative financial assets	33	2,281	–
Deposits with exchanges and a non-bank financial institution	34	143,864	620,251
Clearing settlement funds	35	4,042,598	4,146,477
Bank balances	36	27,113,867	31,939,024
Total current assets		65,800,219	54,579,975
Total assets		69,590,186	58,105,305
Current liabilities			
Subordinated bonds	38	4,000,000	–
Due to banks and a non-bank financial institution	39	290,000	300,000
Accounts payable to brokerage clients	40	29,193,684	33,996,895
Accrued staff costs	41	1,141,349	998,312
Other payables and accruals	42	1,019,809	284,724
Derivative financial liabilities	33	7,883	–
Financial assets sold under repurchase agreements	43	8,898,387	5,183,436
Total current liabilities		44,551,112	40,763,367
Net current assets		21,249,107	13,816,608
Net assets		25,039,074	17,341,938



SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
		2013	2012
Equity			
Share capital	44	7,537,259	6,000,000
Reserves	45	11,507,591	6,271,238
Retained profits	45	5,994,224	5,070,700
Total equity		25,039,074	17,341,938

The consolidated financial statements on pages 137 to 255 were approved and authorized for issue by the Board of Directors on 26 March 2014 and are signed on its behalf by:

Chen Youan

DIRECTOR

Gu Weiguo

DIRECTOR

SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	Equity attributable to owners of the Company									Total equity
	Reserves								Non-controlling interests	
	Share capital	Capital reserve	Investment revaluation reserve	Translation reserve	General reserves	Other reserves	Retained profits	Subtotal		
At 1 January 2012	6,000,000	-	(36,010)	(1,471)	5,720,521	-	4,321,099	16,004,139	122,656	16,126,795
Profit for the year	-	-	-	-	-	-	1,419,779	1,419,779	12,759	1,432,538
Other comprehensive income/(expense) for the year	-	-	8,845	(1,535)	-	-	-	7,310	-	7,310
Total comprehensive income/(expense) for the year	-	-	8,845	(1,535)	-	-	1,419,779	1,427,089	12,759	1,439,848
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(909)	(909)
Acquisition of non-controlling interest in a subsidiary	-	-	-	-	-	-	(1,369)	(1,369)	-	(1,369)
Appropriation to general reserves	-	-	-	-	577,882	-	(577,882)	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(5,517)	(5,517)
At 31 December 2012	6,000,000	-	(27,165)	(3,006)	6,298,403	-	5,161,627	17,429,859	128,989	17,558,848
Profit for the year	-	-	-	-	-	-	2,135,247	2,135,247	19,684	2,154,931
Other comprehensive (expense)/income for the year	-	-	(307,775)	(14,028)	-	20,292	-	(301,511)	-	(301,511)
Total comprehensive (expense)/income for the year	-	-	(307,775)	(14,028)	-	20,292	2,135,247	1,833,736	19,684	1,853,420
Issuance of H shares (Note 44)	1,537,259	4,960,998	-	-	-	-	-	6,498,257	-	6,498,257
Transaction cost of issuance of H shares	-	(162,580)	-	-	-	-	-	(162,580)	-	(162,580)
Capital injection from non-controlling shareholders	-	-	-	-	-	-	-	-	109,892	109,892
Appropriation to general reserves	-	-	-	-	777,181	-	(777,181)	-	-	-
Special Dividend	-	-	-	-	-	-	(424,444)	(424,444)	-	(424,444)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(11,727)	(11,727)
At 31 December 2013	7,537,259	4,798,418	(334,940)	(17,034)	7,075,584	20,292	6,095,249	25,174,828	246,838	25,421,666



SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2013	2012
OPERATING ACTIVITIES		
Profit before income tax	2,893,018	1,886,313
Adjustments for		
Interest expenses	684,627	279,105
Share of result of an associate	334	–
Depreciation and amortization	218,793	283,809
Impairment losses	192,166	26,970
Gain on disposal of property and equipment and other intangible assets	(467)	(350)
Gain on disposal of a subsidiary	–	(4,554)
Foreign exchange losses, net	78,915	1,216
Net realized gains from disposal of available-for-sale financial assets	(147,489)	(5,433)
Dividend income and interest income from available-for-sale financial assets	(375,399)	(157,393)
Interest income from loan investment	(773)	–
Operating cash flows before movements in working capital	3,543,725	2,309,683
Increase in advances to customers	(12,954,110)	(2,889,941)
Increase in accounts and other receivables and prepayments	(553,007)	(72,687)
Increase in financial assets held under resale agreements	(474,315)	(217,770)
Increase in financial assets at fair value through profit or loss	(519,050)	(441,359)
Increase in restricted bank deposits	(16,000)	–
Increase in deposits with exchanges and a non-bank financial institution	(226,419)	(477,284)
Increase in clearing settlement funds-clients	(7,014)	(975,534)
Decrease in cash held on behalf of customers	3,407,832	3,031,777
Decrease in accounts payable to brokerage clients, accrued staff costs and other payables and accruals	(2,798,242)	(1,834,184)
Increase in financial liabilities at fair value through profit or loss	7,883	–
Increase in financial assets sold under repurchase agreements	3,714,951	5,180,834
Increase/(decrease) in placements from a non-bank financial institution	(10,000)	300,000
Decrease in provisions	(764)	–
Cash (used in)/from operations	(6,884,530)	3,913,535
Income taxes paid	(542,909)	(454,402)
Interest paid	(509,023)	(275,428)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(7,936,462)	3,183,705

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	Note	Year ended 31 December	
		2013	2012
INVESTING ACTIVITIES			
Dividends and interest received from investments		323,790	22,214
Purchases of property and equipment and other intangible assets		(108,240)	(238,254)
Proceeds from disposal of property and equipment and other intangible assets		7,301	13,638
Capital injection to an associate		(20,000)	–
Disposal of a subsidiary		–	4,259
Purchase or proceeds on disposal of available-for-sale financial assets, net		(3,571,698)	(5,631,615)
Increase in loan investment		(90,000)	–
Net cash flow from a consolidated structured entity		300,838	–
Placement of bank deposits with original maturity of more than three months		(1,670,485)	–
Maturity of bank deposits with original maturity of more than three months		250,000	–
NET CASH USED IN INVESTING ACTIVITIES		(4,578,494)	(5,829,758)
FINANCING ACTIVITIES			
Proceeds from issuance of H shares		6,498,257	–
Dividends paid to non-controlling shareholders		–	(11,728)
Acquisition of non-controlling interest in a subsidiary		–	(4,760)
Capital injection from non-controlling shareholders		109,892	–
Proceeds from short-term notes and subordinated bonds issued		11,700,000	–
Proceeds from borrowings net of interest paid		282,039	18,858
Repayment of short-term notes and subordinated bonds		(7,784,255)	–
Transaction cost paid on issue of H shares		(7,451)	–
Transaction cost paid on issue of short-term notes and subordinated bonds		(3,099)	–
NET CASH FROM FINANCING ACTIVITIES		10,795,383	2,370
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,719,573)	(2,643,683)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		3,921,043	6,564,857
Effect of foreign exchange rate changes		(6,960)	(132)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	37	2,194,510	3,921,042
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		2,584,207	1,925,619
Total interest paid		(595,068)	(275,428)



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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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 RMB 6 billion.

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

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

The Company completed its initial public offering ("IPO") of overseas-listed foreign shares ("H shares") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") in May 2013. Under this offering, the Company offered a total of 1,537,258,757 new shares (including over-allotment of 37,258,757 new shares) with a nominal value of RMB1.00 per share to the public. As at 20 June 2013, total share capital of the Company increased to RMB 7,537,258,757. The capital increase has been verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP which issued the capital verification report De Shi Bao (Yan) Zi (2013) No.0130. The H shares of the Company commenced trading on the Hong Kong Stock Exchange on 22 May 2013. As at 14 August 2013, the Company has completed the registration of new business licence and filing procedures with the Administration of Industry and Commerce and its registered capital was changed to RMB7,537,258,757.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

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

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

In the current year, the Group has applied a number of new and revised IFRSs that are effective for an accounting period that begins on or after 1 January 2013 and early applied the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets. The application of the new and revised IFRSs that are relevant to the Group's accounting policies and/or disclosures are set out below.

Amendments to IFRS 7 Disclosures-Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IFRS 7 Disclosures-Offsetting Financial Assets and Financial Liabilities in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

Details of disclosure are set out in note 54.

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

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance.

The impact of the application of these standards that is relevant to the Group is set out below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation-Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. In particular, the guidance included in IFRS 10 deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee or not. The Group has consolidated a structured entity pursuant to the requirement of IFRS 10. Details are set out in note 21.

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or consolidated structured entities and unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

The application of these five standards has no material impact on the Group's profit or loss, other comprehensive income and financial position in the current and prior periods. However, the directors of the Company consider that the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, 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 (e.g. net realisable value for the purposes of measuring inventories of value in use for impairment assessment purposes).



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

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

IFRS 13 Fair Value Measurement (Continued)

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

The application of IFRS 13 has no material impact on the Group's profit or loss, other comprehensive income and financial position in the current and prior periods. The disclosure on the fair value information of the assets and liabilities is set out in note 56.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis-the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has renamed the title of its consolidated income statement to consolidated statement of profit or loss and its consolidated statement of comprehensive income to consolidated statement of profit or loss and other comprehensive income. Other amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 has no material impact on the Group's profit or loss, other comprehensive income and financial position in the current and prior periods.

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

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

IAS 19 Employee Benefits (as revised in 2011)

In the current year, the Group has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

The application of the amendments has no material impact on the Group's profit or loss, other comprehensive income and financial position in the prior periods. The impact on the Group's other comprehensive income in the current year is set out in note 41.

2.2 New and revised IFRSs in issue but not yet effective and have been early adopted by the Group in 2013

In the current year, the Group has early applied the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets in accordance with its effective date.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has early adopted the amendments to IAS 36 in advance of its effective date, 1 January 2014. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The Group has prepared the disclosure in relation to recoverable amount of a CGU in accordance with these amendments to IAS 36.



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

2.3 New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective.

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities ¹
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures ³
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle ⁴
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle ²
IFRS 9	Financial Instruments ³
IFRS 14	Regulatory Deferral Accounts ⁵
IFRIC 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

³ Available for application-the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised.

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

⁵ Effective for first annual IFRS financial statements beginning on or after 1 January 2016.

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirement for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 Financial instruments: Recognition and Measurement 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. 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 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 at fair value through profit or loss is presented in profit or loss.

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

2.3 New and revised IFRSs in issue but not yet effective (Continued)

IFRS 9 Financial Instruments (Continued)

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on impairment of financial assets continues to apply. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

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

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

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

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

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

The application of the amendments will not have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans that are either constructive or set out in the formal terms of the plan based on whether those contributions are linked to service or not linked to service.

Such contributions that are not linked to service would affect the remeasurement of net defined benefit liability (or asset). For contributions that are linked to service, they would reduce service cost as follows:

- Contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method;



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

2.3 New and revised IFRSs in issue but not yet effective (Continued)

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (Continued)

- Contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to IAS 19 will have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of setoff" and "simultaneous realization and settlement".

The directors of the Company do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Group's consolidated financial statements.

IFRIC 21 Levies

IFRIC 21 Levies addresses the issue of when to recognize a liability to pay a levy. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. The amendments are not expected to have any significant impact on the financial position or performance of the Group upon adoption on 1 January 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting periods, 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurements 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 purpose 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, leasing transactions that are within the scope of IAS 17, and measurement that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or losses and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.



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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in subsidiaries

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

Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

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

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement of the previously held interest or the retained interest to fair value upon such changes in ownership interests.



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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

Revenue recognition

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land and building

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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



SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

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

Employee benefits

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

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the Government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognized in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Annuity scheme

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

Supplementary retirement benefits

The Group provides supplementary retirement benefits to qualified employees in Mainland China who have already retired and those who will retire before 31 December 2014. Supplementary retirement benefits include supplementary pension payments and medical expense coverage.

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

SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Early retirement benefits

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

Taxation

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

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity respectively.



SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property and equipment

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

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

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

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

Intangible assets

Intangible assets acquired separately

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

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

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

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

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(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Intangible assets acquired in a business combination

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

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Provision

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of each Reporting Period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).



SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

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

Financial assets

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

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

Loans and receivables

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

Available-for-sale financial assets

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

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

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

Impairment of financial assets

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

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

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

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



SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

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

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

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

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

Financial liabilities and equity instruments

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

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

SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liabilities is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is 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.

A financial liabilities other than a financial liabilities 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 stated at fair value, with changes in fair value arising on remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

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

Equity Instruments

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

Effective interest method

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



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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derivative financial instruments

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

Embedded derivatives

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

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

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

Securities lending

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

Derecognition

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

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

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

SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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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 Significant Accounting Policies, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

Impairment of available-for-sale financial assets

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

Impairment of advances to customers

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

Impairment of goodwill

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



SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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

Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realization of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognized in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the tax losses and deductible temporary differences are disclosed in note 25.

Supplementary retirement benefits

The determination of retirement benefit obligations is based on various assumptions, including discount rate, mortality rate and expected rate of benefits increase. There may be difference between the actual amount and the estimated amount. Any difference arising from the actual result or changes in assumptions may affect the actuarial gains or losses recognized in other comprehensive income in the period during which such changes take place and the corresponding liability recognized in the Group's and the Company's statements of financial position. The assumptions that the Company used in measuring the supplementary retirement benefits are disclosed in note 41.

Determination of consolidation scope

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

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

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5. COMMISSION AND FEE INCOME

	Year ended 31 December	
	2013	2012
Commission on securities dealing and broking and handling fee income	4,068,980	2,732,345
Underwriting and sponsors fees	333,184	674,864
Commission on futures and options contracts dealing and broking and handling fee income	372,505	337,734
Consultancy and financial advisory fee income	131,481	33,163
Asset management fee income	125,694	41,231
Others	7,654	11,209
	5,039,498	3,830,546

6. INTEREST INCOME

The following is the analysis excluding interest income from investments:

	Year ended 31 December	
	2013	2012
Deposits with exchanges and a non-bank financial institution and bank balances	1,453,509	1,313,462
Advances to customers and securities lending	1,102,006	355,194
Financial assets held under resale agreements	110,931	29,992
	2,666,446	1,698,648



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7. NET INVESTMENT GAINS

	Year ended 31 December	
	2013	2012
Net realized gains from disposal of available-for-sale financial assets	147,489	5,433
Dividend income and interest income from available-for-sale financial assets	375,399	157,393
Net realized losses from disposal of financial assets held for trading	(260,699)	(270,931)
Interest income from loan investment	773	–
Dividend income and interest income from financial assets held for trading	503,032	380,709
Net realized gains from disposal of financial assets designated as at fair value through profit or loss	42,638	120
Interest income from financial assets designated as at fair value through profit or loss	2,929	5,389
Net realized gains from derivatives	15,681	73,992
Unrealized fair value change of financial instruments at fair value through profit or loss		
– financial assets held for trading	(100,272)	31,751
– financial assets designated as at fair value through profit or loss	(53,734)	37,543
– derivatives	24,191	(26,586)
	697,427	394,813

8. OTHER INCOME AND GAINS

	Year ended 31 December	
	2013	2012
Rental income	9,403	8,754
Government grants	5,722	9,717
Gain on disposal of property and equipment and other intangible assets	467	350
Incentives from PRC stock and futures exchanges	–	1,559
Gain on disposal of a subsidiary (note 51(1))	–	4,554
Others	7,266	12,619
	22,858	37,553

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

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9. DEPRECIATION AND AMORTIZATION

	Year ended 31 December	
	2013	2012
Depreciation for property and equipment	198,983	248,237
Amortization of other intangible assets	19,810	35,572
	218,793	283,809

10. STAFF COSTS

	Year ended 31 December	
	2013	2012
Salaries, bonus and allowances	1,878,057	1,275,879
Social welfare	359,274	368,111
Contributions to annuity schemes	49,882	42,496
Supplementary retirement benefits	7,718	9,204
Early retirement benefits	4,552	(1,635)
Others	191,016	176,751
	2,490,499	1,870,806

The domestic employees of the Group in the PRC participate in social security plans, including pension, medical, housing and other welfare benefits, organized and administered by the governmental authorities. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Group are calculated on regular basis and paid to the labor and social welfare authorities. These social security plans are defined contribution plans and contributions to the plans are expensed as incurred.

In addition to the above social security plans, the Company also provides annuity schemes for certain qualified employees in the PRC. Employees' and employer's contributions are calculated based on certain percentage of employees' salaries and recognized in profit or loss as expense. These annuity schemes are defined contribution plans.

The Group also operates a defined contribution scheme for all qualified employees in Hong Kong under the Mandatory Provident Fund Scheme Ordinance. The Group contributes certain percentage of relevant payroll costs to the scheme, and the contribution is matched by employees but subject to a maximum amount for each employee. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Details of the supplementary retirement benefits for qualified employees in the PRC are set out in note 41.



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11. COMMISSION AND FEE EXPENSES

	Year ended 31 December	
	2013	2012
Securities and futures dealing and broking expenses	103,726	76,565
Underwriting and sponsors fee expenses	58,586	23,458
Other service expenses	8,907	7,627
	171,219	107,650

12. INTEREST EXPENSES

	Year ended 31 December	
	2013	2012
Interest on liabilities that are wholly repayable within five years:		
– Accounts payable to brokerage clients	129,665	157,440
– Financial assets sold under repurchase agreements	292,901	109,227
– Due to banks and a non-bank financial institution	105,462	12,438
– Short-term notes	77,707	–
– Subordinated bonds	78,892	–
	684,627	279,105

13. OTHER OPERATING EXPENSES

	Year ended 31 December	
	2013	2012
Auditors' remuneration	3,280	2,995
General and administrative expenses	486,743	449,972
Business tax and other tax	392,060	254,352
Operating lease rentals in respect of rented premises	396,505	371,935
Data transmission expenses	148,623	162,203
Securities investor protection funds	34,220	25,008
Business travel expenses	81,681	81,055
Utilities expenses	50,139	52,136
Foreign exchange losses, net	78,915	1,216
Litigation provision	(1,900)	18,900
Sundry expenses	105,307	87,135
	1,775,573	1,506,907

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14. IMPAIRMENT LOSSES

	Year ended 31 December	
	2013	2012
Allowance for/(reversal of) impairment loss in respect of accounts receivable	7,647	(13,746)
Impairment loss in respect of other receivables	15,108	10,750
Impairment loss in respect of available-for-sale financial assets	169,411	29,966
	192,166	26,970

15. INCOME TAX EXPENSE

	Year ended 31 December	
	2013	2012
Current income tax		
PRC Enterprise Income Tax	765,760	361,273
Hong Kong Profits Tax	1,865	–
Under/(over) provision in prior years:		
PRC Enterprise Income Tax	1,626	(35,035)
Subtotal	769,251	326,238
Deferred income tax (note 25)	(31,164)	127,537
	738,087	453,775

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	
	2013	2012
Profit before income tax	2,893,018	1,886,313
Tax at the statutory tax rate of 25%	723,255	471,578
Tax effect of expenses not deductible for tax purposes	78,178	53,889
Tax effect of income not taxable for tax purpose	(102,061)	(45,025)
Tax effect of tax losses not recognized	45,362	5,643
Effect of different tax rates of branches and subsidiaries	(3,929)	2,725
Utilization of tax losses previously not recognized	(4,344)	–
Under/(over) provision in prior years	1,626	(35,035)
Income tax expense for the year	738,087	453,775



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16. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

	Year ended 31 December	
	2013	2012
Earnings for the purpose of basic earnings and diluted earnings per share:		
Profit for the year attributable to owners of the Company	2,135,247	1,419,779
Number of shares:		
Weighted average number of shares in issue (thousand)	6,941,168	6,000,000
Earnings per share:		
Basic earnings per share (RMB Yuan)	0.31	0.24
Diluted earnings per share (RMB Yuan)	0.31	N/A

The Group has considered the over-allotment option issued by the Company in June 2013 in the calculation of diluted earnings per share and the amount remains at RMB 0.31 yuan per share because the over-allotment option has no significant impact in the computation of diluted earnings per share. The Group had no dilutive potential ordinary shares outstanding during the year ended 31 December 2012.

17. SPECIAL DIVIDEND

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

The Company completed its initial public offering in May 2013 and determined that the Distributable Profits in respect of the period from 1 January 2013 to 30 April 2013 as RMB 424.44 million. On 26 March 2014, the Board of Directors passed a resolution to approve the Special Dividend of RMB 424.44 million, of which RMB 379.45 million is payable to China Galaxy Financial Holdings Company Limited (中國銀河金融控股有限責任公司) ("Galaxy Financial Holdings").

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18. PROPERTY AND EQUIPMENT

Group

	Leasehold land and buildings	Electronic and communication equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
COST						
As at 1 January 2012	244,111	681,221	85,901	108,957	275,653	1,395,843
Additions	929	61,602	6,571	24,215	99,747	193,064
Disposals/written-off	–	(58,421)	(3,915)	(6,672)	(47,215)	(116,223)
As at 31 December 2012	245,040	684,402	88,557	126,500	328,185	1,472,684
ACCUMULATED DEPRECIATION						
As at 1 January 2012	76,636	504,753	49,059	56,565	124,887	811,900
Charge for the year	10,940	106,625	19,387	19,699	91,586	248,237
Disposals/written-off	–	(48,079)	(2,446)	(5,313)	(47,215)	(103,053)
As at 31 December 2012	87,576	563,299	66,000	70,951	169,258	957,084
CARRYING VALUES						
As at 31 December 2012	157,464	121,103	22,557	55,549	158,927	515,600
COST						
As at 1 January 2013	245,040	684,402	88,557	126,500	328,185	1,472,684
Additions	–	35,524	4,767	6,964	36,635	83,890
Disposals/written-off	–	(38,065)	(2,955)	(11,680)	(72,697)	(125,397)
As at 31 December 2013	245,040	681,861	90,369	121,784	292,123	1,431,177
ACCUMULATED DEPRECIATION						
As at 1 January 2013	87,576	563,299	66,000	70,951	169,258	957,084
Charge for the year	10,941	70,335	9,733	20,871	87,103	198,983
Disposals/written-off	–	(35,193)	(2,229)	(8,445)	(72,697)	(118,564)
As at 31 December 2013	98,517	598,441	73,504	83,377	183,664	1,037,503
CARRYING VALUES						
As at 31 December 2013	146,523	83,420	16,865	38,407	108,459	393,674



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18. PROPERTY AND EQUIPMENT (Continued)

Company

	Leasehold land and buildings	Electronic and communication equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
COST						
As at 1 January 2012	244,111	653,103	85,071	106,190	271,254	1,359,729
Additions	929	48,101	6,571	17,281	97,641	170,523
Disposals/written-off	–	(51,426)	(3,750)	(6,559)	(47,215)	(108,950)
As at 31 December 2012	245,040	649,778	87,892	116,912	321,680	1,421,302
ACCUMULATED DEPRECIATION						
As at 1 January 2012	76,636	494,413	48,510	56,064	122,886	798,509
Charge for the year	10,940	99,658	19,305	17,992	90,270	238,165
Disposals/written-off	–	(41,420)	(2,286)	(5,263)	(47,215)	(96,184)
As at 31 December 2012	87,576	552,651	65,529	68,793	165,941	940,490
CARRYING VALUES						
As at 31 December 2012	157,464	97,127	22,363	48,119	155,739	480,812
COST						
As at 1 January 2013	245,040	649,778	87,892	116,912	321,680	1,421,302
Additions	–	23,168	4,767	5,119	27,930	60,984
Disposals/written-off	–	(37,911)	(2,955)	(5,805)	(72,697)	(119,368)
As at 31 December 2013	245,040	635,035	89,704	116,226	276,913	1,362,918
ACCUMULATED DEPRECIATION						
As at 1 January 2013	87,576	552,651	65,529	68,793	165,941	940,490
Charge for the year	10,941	61,857	9,653	17,561	84,398	184,410
Disposals/written-off	–	(35,044)	(2,229)	(4,897)	(72,697)	(114,867)
As at 31 December 2013	98,517	579,464	72,953	81,457	177,642	1,010,033
CARRYING VALUES						
As at 31 December 2013	146,523	55,571	16,751	34,769	99,271	352,885

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

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18. PROPERTY AND EQUIPMENT (Continued)

Group and Company

	As at 31 December	
	2013	2012
On long-term lease (over 50 years)	6,108	6,540
On medium-term lease (10-50 years)	140,415	150,924
	146,523	157,464

As at 31 December 2013, certain acquired buildings of the Group with a carrying value of RMB 28.79 million (2012: RMB 30.99 million) were in the process of title registration. The directors of the Company are of the opinion that the Company has ownership of the buildings.

19. GOODWILL

Group and Company

	As at 31 December	
	2013	2012
Cost and carrying value, at beginning and end of the year	223,278	223,278
Impairment, at beginning and end of the year	–	–
Net book values, at beginning and end of the year	223,278	223,278

Impairment testing on goodwill

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

During the years ended 31 December 2013 and 2012, management of the Group determined that there was no impairment of the CGU containing the goodwill and trading rights with indefinite useful lives (see note 20) as the recoverable amounts of the CGU exceed its carrying amounts.

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

The recoverable amount of the 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 15.01% as at 31 December 2013 (2012: 15.52%). The cash flows beyond the 3-year period are assumed to remain unchanged. The discount rates used reflect specific risks relating to the CGU.

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

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



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20. OTHER INTANGIBLE ASSETS

Group

	Trading rights	Computer software	Total
COST			
As at 1 January 2012	303,410	96,989	400,399
Additions	–	45,190	45,190
Disposals/written-off	–	(1,285)	(1,285)
As at 31 December 2012	303,410	140,894	444,304
ACCUMULATED AMORTIZATION			
As at 1 January 2012	–	47,088	47,088
Charge for the year	–	35,572	35,572
Disposals/written-off	–	(1,167)	(1,167)
As at 31 December 2012	–	81,493	81,493
CARRYING VALUES			
As at 31 December 2012	303,410	59,401	362,811
COST			
As at 1 January 2013	303,410	140,894	444,304
Additions	–	24,350	24,350
Disposals/written-off	–	(19,703)	(19,703)
As at 31 December 2013	303,410	145,541	448,951
ACCUMULATED AMORTIZATION			
As at 1 January 2013	–	81,493	81,493
Charge for the year	–	19,810	19,810
Disposals/written-off	–	(1,603)	(1,603)
As at 31 December 2013	–	99,700	99,700
CARRYING VALUES			
As at 31 December 2013	303,410	45,841	349,251

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20. OTHER INTANGIBLE ASSETS (Continued)

Company

	Trading rights	Computer software	Total
COST			
As at 1 January 2012	301,199	92,028	393,227
Additions	–	41,303	41,303
Disposals/written-off	–	(1,285)	(1,285)
As at 31 December 2012	301,199	132,046	433,245
ACCUMULATED AMORTIZATION			
As at 1 January 2012	–	45,009	45,009
Charge for the year	–	34,432	34,432
Disposals/written-off	–	(1,167)	(1,167)
As at 31 December 2012	–	78,274	78,274
CARRYING VALUES			
As at 31 December 2012	301,199	53,772	354,971
COST			
As at 1 January 2013	301,199	132,046	433,245
Additions	–	17,604	17,604
Disposals/written-off	–	(19,703)	(19,703)
As at 31 December 2013	301,199	129,947	431,146
ACCUMULATED AMORTIZATION			
As at 1 January 2013	–	78,274	78,274
Charge for the year	–	18,092	18,092
Disposals/written-off	–	(1,602)	(1,602)
As at 31 December 2013	–	94,764	94,764
CARRYING VALUES			
As at 31 December 2013	301,199	35,183	336,382

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



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20. OTHER INTANGIBLE ASSETS (Continued)

Impairment testing on trading rights with indefinite useful lives

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

Group

	As at 31 December	
	2013	2012
Securities brokerage	287,359	290,359
Others	16,051	13,051
	303,410	303,410

Company

	As at 31 December	
	2013	2012
Securities brokerage	287,359	290,359
Others	13,840	10,840
	301,199	301,199

The respective recoverable amounts of these CGUs where the trading rights are allocated to, using a value in use calculation, exceed their carrying amounts. Accordingly, there were no impairment of the trading rights as at 31 December 2013 and 2012.

21. INVESTMENTS IN SUBSIDIARIES

Company

	As at 31 December	
	2013	2012
Unlisted shares, at cost	2,514,660	2,014,752
Less: Allowance for impairment losses ⁽¹⁾	(147,500)	–
	2,367,160	2,014,752

(1) An impairment loss of RMB 147.50 million in respect of the investment in Galaxy Capital has been recognized for the year ended 31 December 2013.

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21. INVESTMENTS IN SUBSIDIARIES (Continued)

As at 31 December 2013, the Company has the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest and voting right held by the Group		Share capital/ registered/paid-up capital as at 31 December 2013	Principal activities
		As at 31 December 2013	2012		
銀河創新資本管理有限公司 Galaxy Capital Management Company Limited ("Galaxy Capital")*	Beijing, PRC 21 October 2009	100%	100%	RMB1,000,000,000	Assets management, project investment and investment management
China Galaxy International Financial Holdings Company Limited (Note 1)	Hong Kong, PRC 9 February 2011	100%	100%	HKD600,000,000	Investment holding
銀河期貨有限公司 Galaxy Futures Company Limited. ("Galaxy Futures")* (Note 2)	Beijing, PRC 2 May 1995	83.32%	83.32%	RMB1,200,000,000	Commodity futures broking, financial futures broking, and futures investment consultancy, and asset management
China Galaxy International Futures (Hong Kong) Company Limited (Note 3)	Hong Kong, PRC 2 March 2011	100%	100%	HKD30,000,000	Futures contracts dealing and broking
China Galaxy International Securities (Hong Kong) Company Limited	Hong Kong, PRC 2 March 2011	100%	100%	HKD300,000,000	Securities broking
China Galaxy International Finance (Hong Kong) Company Limited	Hong Kong, PRC 10 January 2012	100%	100%	HKD1,000,000	Money lending
China Galaxy International Assets Management (Hong Kong) Company Limited	Hong Kong, PRC 28 June 2012	100%	100%	HKD10,000,000	Asset management
銀河金岩投資諮詢(深圳)有限公司 Galaxy Golden Rock Investment Consultancy (Shenzhen Company Limited)*	Shenzhen, PRC 24 July 2012	100%	100%	RMB2,200,000	Economic information consultancy, enterprise management consultancy and project investment consultancy
China Galaxy International Wealth Management (Hong Kong) Company Limited (Note 4)	Hong Kong, PRC 30 October 2012	100%	100%	HKD500,000	Wealth management and insurance broking
銀河粵科基金管理有限公司 Galaxy Yueke Fund Management Co., Ltd. ("Galaxy Yueke Fund")* (Note 5)	Fo Shan, PRC 4 November 2013	51%	–	RMB100,000,000	Investment fund management
銀河粵科(廣東)產業投資基金(有限合伙) Galaxy (Guangdong) Industry Investment Fund (Limited Partnership)* (Note 6)	Fo Shan, PRC 16 October 2013	40%	–	RMB500,000,000	Investing in securities



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21. INVESTMENTS IN SUBSIDIARIES (Continued)

Note 1: According to CSRC's "Reply on Approving the Establishment of the China Galaxy International Financial Holdings Company Limited by China Galaxy Securities Co., Ltd" (《關於核准中國銀河證券股份有限公司在香港特別行政區設立中國銀河國際金融控股有限公司的批復》(證監許可[2010]1533号)), the Company contributed capital of HKD 100 million to set up a wholly-owned subsidiary, China Galaxy International Financial Holdings Company Limited, in February 2011. On 1 June 2012, the Company contributed an additional capital of HKD 500 million and the share capital of China Galaxy International Financial Holdings Company Limited as increased to HKD 600 million.

Note 2: The paid-up capital of Galaxy Futures was increased from RMB 600 million to RMB 1.2 billion during the year ended 31 December 2013. The Company and the non-controlling interest of Galaxy Futures paid RMB 499.91 million and RMB 100.09 million, respectively, to subscribe for the additional interests. The interest in Galaxy Futures held by the Group remained at 83.32% as at 31 December 2013.

Note 3: On 4 October 2012, China Galaxy International Financial Holdings Company Limited contributed an additional capital of HKD 20 million to China Galaxy International Futures (Hong Kong) Company Limited. The share capital of China Galaxy International Futures (Hong Kong) Company Limited was increased to HKD 30 million.

Note 4: On 18 October 2013, China Galaxy International Financial Holdings Company Limited contributed an additional capital of HKD 0.40 million to China Galaxy International Wealth Management (Hong Kong) Company Limited. The share capital of China Galaxy International Wealth Management (Hong Kong) Company Limited was increased to HKD 0.50 million.

Note 5: In November 2013, Galaxy Capital invested RMB 10.2 million in Galaxy Yueke Fund for a 51% equity interest and voting right. As at 31 December 2013, the registered capital and paid-up capital of Galaxy Yueke Fund was RMB 100 million and RMB 20 million, respectively.

Note 6: In December 2013, Galaxy Capital, Guangdong Technology Financial Group Co., Ltd. and Guangdong Technology Venture Capital Co., Ltd. established Galaxy (Guangdong) Industry Investment Fund (Limited Partnership) ("Galaxy Investment Fund") of which the planned fund size is RMB 1 billion. The initial fund raised was RMB 500 million, of which Galaxy Capital contributed RMB 200 million, Guangdong Technology Financial Group Co., Ltd. contributed RMB 200 million and Guangdong Technology Venture Capital Co., Ltd. contributed RMB 100 million.

The Group's subsidiary, Galaxy Yueke Fund, is both the general partner and the fund manager of Galaxy Investment Fund. As the Group served as both the general partner and limited partner of Galaxy Investment Fund, the Group has assessed that it has the power on and is exposed to significant variable return of Galaxy Investment Fund. As such, Galaxy Investment Fund was consolidated by the Group.

Interest held by the Group in Galaxy Investment Fund amounted to RMB 200.56 million as at 31 December 2013. Interest held by other interest holders are included in other payables and accruals in the consolidated statement of financial position as set out in note 42.

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.

* These subsidiaries do not have official English names.

22. INVESTMENT IN AN ASSOCIATE

Group and Company

	As at 31 December	
	2013	2012
Carrying amount of unlisted investment	19,856	–
Allowance for impairment losses	–	–
Net carrying amount	19,856	–

Details of the associate are as follows:

Name of subsidiary	Place of establishment	Proportion of equity interests held by the Group As at 31 December 2013	Proportion of voting power As at 31 December 2013	Principal activities
北京股權交易中心有限公司 Beijing Equity Exchange Centre Co., Ltd*	Beijing, PRC	10%	10%	Operates an exchange for the trading of unlisted equity investments and debt securities

* These subsidiaries do not have official English names.

In January 2013, the Company invested RMB 20 million in Beijing Equity Exchange Centre Co., Ltd ("Beijing Equity Exchange") for a 10% equity interest and voting right. The Company has accounted for its interest in Beijing Equity Exchange as investment in an associate as the Company has appointed one out of seven directors on the Board of Directors of Beijing Equity Exchange and exercise significant influence over Beijing Equity Exchange.

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23. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group served as manager of structured entities (including collective asset management plans and private equity funds), therefore had power over them during the Reporting Periods. In the opinion of the directors of the Company, the variable returns the Group exposed to over these collective asset management plans that the Group has interests are not significant. The Group therefore did not consolidate these structured entities.

The size of unconsolidated collective asset management plans managed by the Group amounted to RMB 1,625 million and RMB 2,070 million as at 31 December 2013 and 2012, respectively. The Group classified the investments in these unconsolidated collective asset management plans as available-for-sale financial assets and financial assets held for trading as appropriate. The Group's interests in and exposure to these collective asset management plans are not significant.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	As at 31 December	
	2013	2012
Non-current		
Measured at fair value:		
Other investments ⁽¹⁾	200,100	300,526
Measured at cost:		
Equity securities ⁽²⁾	294,950	442,450
– issued by corporate entities	294,950	442,450
	495,050	742,976
Analyzed as:		
Unlisted	495,050	742,976
	As at 31 December	
	2013	2012
Current		
Measured at fair value:		
Debt securities	7,934,536	5,517,098
– government bonds	56,046	–
– corporate bonds	7,878,490	5,517,098
Equity securities	390,393	383,346
– issued by corporate entities	378,667	20,408
– issued by banks and other financial institutions	10,696	361,700
– issued by public utility entities	727	846
– issued by others	303	392
Funds	11,684	7,556
Other investments ⁽¹⁾	958,469	–
	9,295,082	5,908,000
Analyzed as:		
Listed outside Hong Kong ⁽³⁾	8,336,613	5,908,000
Unlisted	958,469	–



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

Company

	As at 31 December	
	2013	2012
Non-current		
Measured at fair value:		
Other investments ⁽¹⁾	200,100	300,526
Analyzed as:		
Unlisted	200,100	300,526
	As at 31 December	
	2013	2012
Current		
Measured at fair value:		
Debt securities	7,934,536	5,517,098
– government bonds	56,046	–
– corporate bonds	7,878,490	5,517,098
Equity securities	390,393	383,346
– issued by corporate entities	378,667	20,408
– issued by banks and other financial institutions	10,696	361,700
– issued by public utility entities	727	846
– issued by others	303	392
Funds	11,684	7,556
Other investments ⁽¹⁾	218,643	–
	8,555,256	5,908,000
Analyzed as:		
Listed outside Hong Kong ⁽³⁾	8,336,613	5,908,000
Unlisted	218,643	–

(1) Other investments represent investments in collective asset management plans issued and managed by the Company, wealth management products issued by banks and targeted asset management plans managed by non-bank financial institutions, which mainly invest in debt securities and publicly traded equity securities listed in the PRC. The Group has committed to hold its undated collective asset management plans Fuxing No.1 and its other investments in collective asset management plans till the end of the investment period which ranges from 2 years to 10 years.

(2) An impairment loss of RMB 147.50 million in respect of certain private equity investments measured at cost less impairment has been recognized in the consolidated statement of profit or loss for the year ended 31 December 2013 (2012: Nil).

(3) Securities and funds traded on the Interbank Bond Market, the Shanghai Stock Exchange, and the Shenzhen Stock Exchange are included in "Listed outside Hong Kong".

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

The unlisted equity securities held by the Group are issued by private companies that are in the mineral resources, manufacturing, advertising or electronic communication sectors, among others. As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably. The values of these securities are measured at cost less impairment at the end of each Reporting Period.

Included in the Group's and the Company's listed equity securities of approximately RMB 362.94 million as at 31 December 2013 (2012: RMB 349.44 million) were restricted shares listed in the PRC with a legally enforceable restriction that prevents the Group to dispose of within the specified period.

In the opinion of the directors of the Company, non-current available-for-sale financial assets are not expected to be realized within one year from the end of the Reporting Periods.

The Group and the Company entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale equity securities and exchange-traded funds ("ETF") to clients in 2013. These securities continued to be recognized as financial assets of the Group and the Company, and the total fair value amounted to RMB26.82 million (2012: RMB35.50 million).

25. DEFERRED TAXATION

For presentation purpose, certain deferred tax assets and deferred tax liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

Group

	As at 31 December	
	2013	2012
Deferred tax assets	308,204	174,385

Company

	As at 31 December	
	2013	2012
Deferred tax assets	290,306	150,991



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25. DEFERRED TAXATION (Continued)

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

Group

	Changes in fair value of financial assets at fair value through profit or loss	Changes in fair value of available- for-sale financial assets	Accrued staff cost	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 2012	6,585	12,003	298,674	21,607	1,652	5,687	597	(41,935)	-	-	304,870
Credit/(charge) to profit or loss	(17,323)	-	(84,111)	(12,822)	919	(735)	6,646	(26,365)	4,725	1,529	(127,537)
Charge to other comprehensive income	-	(2,948)	-	-	-	-	-	-	-	-	(2,948)
At 31 December 2012	(10,738)	9,055	214,563	8,785	2,571	4,952	7,243	(68,300)	4,725	1,529	174,385
Credit/(charge) to profit or loss	38,501	-	49,319	8,686	21,538	1,572	(6,048)	(82,090)	(191)	(123)	31,164
Credit to other comprehensive income	-	102,655	-	-	-	-	-	-	-	-	102,655
At 31 December 2013	27,763	111,710	263,882	17,471	24,109	6,524	1,195	(150,390)	4,534	1,406	308,204

Company

	Changes in fair value of financial assets at fair value through profit or loss	Changes in fair value of available- for-sale financial assets	Accrued staff cost	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 2012	6,585	12,003	281,957	21,607	1,652	4,959	597	(36,390)	-	-	292,970
Credit/(charge) to profit or loss	(16,906)	-	(93,239)	(12,822)	919	(735)	6,646	(28,951)	4,725	1,332	(139,031)
Charge to other comprehensive income	-	(2,948)	-	-	-	-	-	-	-	-	(2,948)
At 31 December 2012	(10,321)	9,055	188,718	8,785	2,571	4,224	7,243	(65,341)	4,725	1,332	150,991
Credit/(charge) to profit or loss	38,084	-	46,088	8,686	21,538	2,299	(6,048)	(73,877)	(191)	-	36,579
Credit to other comprehensive income	-	102,736	-	-	-	-	-	-	-	-	102,736
At 31 December 2013	27,763	111,791	234,806	17,471	24,109	6,523	1,195	(139,218)	4,534	1,332	290,306

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.

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25. DEFERRED TAXATION (Continued)

During the current year, an impairment loss of RMB 147.50 million (2012: Nil) in respect of the Group's investments in certain private equity investments was recognized in the statement of profit or loss. No deferred tax asset has been recognized for the deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilized.

The Group has tax losses arising from its subsidiaries located in Hong Kong since their incorporations that can be carried forward indefinitely for offsetting against future taxable profits of the respective companies.

The Group has estimated unutilized tax losses of RMB 201.24 million as at 31 December 2013 (2012: RMB 43.84 million), available for offsetting against future profits of subsidiaries, and a portion of which have not been agreed with the PRC tax bureau or the Hong Kong tax authority. No deferred tax asset has been recognized due to the unpredictability of future profit streams of these PRC and Hong Kong group entities in the Group. The tax losses of PRC Group entities amounting to RMB 177.00 million as at 31 December 2013 (2012: Nil) will expire in 2018, and those of Hong Kong entities amounting to RMB 24.24 million as at 31 December 2013 (2012: RMB 43.84 million), can be carried forward indefinitely.

26. ADVANCES TO CUSTOMERS

Group

	As at 31 December	
	2013	2012
Loans to margin clients	18,392,778	5,438,668
Less: Impairment on advances to customers	–	–
	18,392,778	5,438,668

Company

	As at 31 December	
	2013	2012
Loans to margin clients	17,660,392	5,171,621
Less: Impairment on advances to customers	–	–
	17,660,392	5,171,621

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

Based on the agreement terms with margin clients in Hong Kong, the Group is able to repledge clients' securities for margin financing arrangements with qualified financial institutions. The fair values of these listed securities at 31 December 2013 was RMB 3,269.56 million (2012: RMB 1,377.76 million).



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26. ADVANCES TO CUSTOMERS (Continued)

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value to the users of these consolidated financial statements in view of the nature of business of securities margin financing.

The Group evaluates the collectability of loans based on management's judgement regarding the change in credit quality, collateral value and the past collection history of each client. Management considered that there were no impaired debts as at 31 December 2013 and 2012.

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

27. ACCOUNTS RECEIVABLE

Group

	As at 31 December	
	2013	2012
Accounts receivable of:		
Client securities settlement	104,910	60,823
Brokers and dealers	53,994	42,423
Clearing houses (note 54)	23,322	11,032
Underwriting and sponsors fee	48,460	13,820
Trading rights rental commission	57,807	51,873
Asset management and funds distribution handling fee	13,191	17,115
Investment advisory fee	1,500	3,105
Others	6,588	3,899
Subtotal	309,772	204,090
Less: Impairment on accounts receivable	(8,857)	(1,210)
Total	300,915	202,880

Ageing analysis of accounts receivable is as follows:

	As at 31 December	
	2013	2012
Within 1 year	289,575	200,522
Between 1 and 2 years	11,340	2,283
Between 2 and 3 years	-	75
	300,915	202,880

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27. ACCOUNTS RECEIVABLE (Continued)

Company

	As at 31 December	
	2013	2012
Accounts receivable of:		
Underwriting and sponsors fee	48,460	13,820
Trading rights rental commission	57,808	51,873
Asset management and funds distribution handling fee	13,191	17,115
Investment advisory fee	1,500	3,105
Others	6,588	3,899
Subtotal	127,547	89,812
Less: Impairment on accounts receivable	(8,857)	(1,210)
Total	118,690	88,602

Ageing analysis of accounts receivable is as follows:

	As at 31 December	
	2013	2012
Within 1 year	107,350	86,244
Between 1 and 2 years	11,340	2,283
Between 2 and 3 years	–	75
	118,690	88,602

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

Group and Company

	As at 31 December	
	2013	2012
At beginning of the year	1,210	14,956
Impairment losses recognized	7,647	–
Reversal of impairment losses	–	(13,746)
At end of the year	8,857	1,210

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.



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28. OTHER RECEIVABLES AND PREPAYMENTS

Group

	As at 31 December	
	2013	2012
Interest receivable	638,993	300,361
Prepaid expenses	110,053	68,489
Fund redemption receivable	32,883	–
Advance payments ⁽¹⁾	–	27,041
Others	59,304	41,541
Subtotal	841,233	437,432
Less: Impairment on other receivables	(9,150)	(3,965)
Total	832,083	433,467

Company

	As at 31 December	
	2013	2012
Interest receivable	594,462	288,317
Prepaid expenses	100,769	64,603
Fund redemption receivable	32,883	–
Advance payments ⁽¹⁾	–	27,041
Others	39,429	16,474
Subtotal	767,543	396,435
Less: Impairment on other receivables	(9,150)	(3,965)
Total	758,393	392,470

(1) The Company entered into agreements to dispose of certain restricted shares on behalf of third parties at a pre-agreed price (the "Agreements") in 2012. Advance payments represent amounts advanced by the Company to third parties in connection with the Agreements and were fully settled in 2013.

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

Group and Company

	As at 31 December	
	2013	2012
At beginning of the year	3,965	71,472
Impairment losses recognized	15,108	10,750
Amounts written off	(9,923)	(78,257)
At end of the year	9,150	3,965

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29. AMOUNTS DUE FROM SUBSIDIARIES

Amounts due from subsidiaries are unsecured and repayable on demand. The Company expected to recover the amounts due from subsidiaries within one year from the end of the Reporting Periods.

30. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Group

	As at 31 December	
	2013	2012
Analyzed by collateral type:		
Bonds	50,000	162,000
Funds	41,624	–
Stocks	1,192,214	647,523
	1,283,838	809,523
Analyzed by market of collateral:		
Stock exchanges	1,283,838	659,523
Interbank bond market	–	150,000
	1,283,838	809,523

Company

	As at 31 December	
	2013	2012
Analyzed by collateral type:		
Bonds	50,000	12,000
Funds	41,624	–
Stocks	1,192,214	647,523
	1,283,838	659,523
Analyzed by market of collateral:		
Stock exchanges	1,283,838	659,523



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31. FINANCIAL ASSETS HELD FOR TRADING

Group

	As at 31 December	
	2013	2012
Debt securities	3,269,009	3,346,520
– government bonds	–	4,982
– financial bonds	229,642	–
– corporate bonds	3,039,367	3,341,538
Equity securities	127,284	20,856
– issued by banks and other financial institutions	30,876	5,358
– issued by corporate entities	95,578	15,109
– issued by public utility entities	462	318
– issued by others	368	71
Funds	1,594,981	1,060,269
Other investments ⁽¹⁾	36,047	194,376
	5,027,321	4,622,021
Analyzed as:		
Listed outside Hong Kong ⁽²⁾	3,589,706	3,499,402
Unlisted	1,437,615	1,122,619
	5,027,321	4,622,021

Company

	As at 31 December	
	2013	2012
Debt securities	3,269,009	3,346,520
– government bonds	–	4,982
– financial bonds	229,642	–
– corporate bonds	3,039,367	3,341,538
Equity securities traded in stock exchange	127,284	20,856
– issued by banks and other financial institutions	30,876	5,358
– issued by corporate entities	95,578	15,109
– issued by public utility entities	462	318
– issued by others	368	71
Funds	1,594,981	1,060,269
	4,991,274	4,427,645
Analyzed as:		
Listed outside Hong Kong ⁽²⁾	3,589,706	3,499,402
Unlisted	1,401,568	928,243
	4,991,274	4,427,645

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31. FINANCIAL ASSETS HELD FOR TRADING (Continued)

- (1) Other investments represent investments in collective asset management plans issued and managed by the Company.
- (2) Securities and funds traded on the Interbank Bond Market, the Shanghai Stock Exchange, and the Shenzhen Stock Exchange are included in "Listed outside Hong Kong".

The Group's and the Company's investments in unlisted funds, comprise of money market funds and open-ended mutual funds, and other investments that mainly invested in debt securities and publicly traded equity securities listed in Hong Kong and the PRC.

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

Group and Company

	As at 31 December	
	2013	2012
Convertible bonds ⁽¹⁾	628,842	485,400
– financial bonds	144,833	360,293
– corporate bonds	484,009	125,107
Equity securities ⁽²⁾	283,520	318,076
– issued by banks and other financial institutions	101,245	106,974
– issued by corporate entities	171,854	199,336
– issued by public utility entities	6,161	7,678
– issued by others	4,260	4,088
Funds ⁽²⁾	30,144	27,561
	942,506	831,037
Analyzed as:		
– Listed outside Hong Kong ⁽³⁾	942,506	831,037

- (1) The convertible bonds held by the Group are hybrid instruments, which are designated as financial assets at fair value through profit or loss.
- (2) These equity securities and exchange-traded funds are used for securities lending business which are designated as financial assets at fair value through profit or loss. As at 31 December 2013, the Group and the Company entered into securities lending arrangement with clients that resulted in the transfer of financial assets designated as at fair value through profit or loss with a total fair value of RMB 107.66 million (2012: RMB 169.76 million) to clients. These equity securities and exchange-traded funds continued to be recognized as financial assets of the Group and the Company.
- (3) Securities and funds traded in the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in "Listed outside Hong Kong".



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33. DERIVATIVE FINANCIAL INSTRUMENTS

Group and Company

	As at 31 December			
	2013 Asset	2012 Liability	2013 Asset	2012 Liability
Swap ⁽¹⁾	2,281	7,883	–	–
Stock index futures ⁽²⁾	821	–	–	28,972
Less: settlement	(821)	–	–	(28,972)
Total	2,281	7,883	–	–

(1) The equity return swaps are carried at fair values and the notional principal amounts of swaps as at 31 December 2013 were RMB 83.51 million (2012: Nil).

(2) Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures ("SIF") were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the net position of the SIF contracts was nil at the end of the Reporting Period.

Details of the Group's and Company's stock index futures are set out below:

As at 31 December 2013

Stock Index Futures	Contracts	Purchase/sale	Positions Number of contracts	Contract value	Fair value
CSI 300	IF1401	Sale	767	540,367	821
Total				540,367	821
Less: settlement					(821)
Net position of SIF contracts					–

As at 31 December 2012

Stock Index Futures	Contracts	Purchase/sale	Positions Number of contracts	Contract value	Fair value
CSI 300	IF1301	Sale	513	390,506	(18,745)
CSI 300	IF1303	Sale	209	160,876	(10,227)
Total				551,382	(28,972)
Less: settlement					28,972
Net position of SIF contracts					–

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

Group

	As at 31 December	
	2013	2012
Deposits with stock exchanges		
– Shanghai Stock Exchange	78,142	42,018
– Shenzhen Stock Exchange	52,812	524,358
– Hong Kong Stock Exchange	29,670	3,052
Deposits with futures and commodity exchanges		
– China Financial Futures Exchange	693,724	511,310
– Shanghai Futures Exchange	1,038,777	752,357
– Dalian Commodity Exchange	587,138	528,459
– Zhengzhou Commodity Exchange	347,569	198,894
China Securities Finance Corporation Limited	1,410	16,125
Guarantee fund paid to Shenzhen Stock Exchange	11,500	37,750
	2,840,742	2,614,323

Company

	As at 31 December	
	2013	2012
Deposits with stock exchanges		
– Shanghai Stock Exchange	78,142	42,018
– Shenzhen Stock Exchange	52,812	524,358
China Securities Finance Corporation Limited	1,410	16,125
Guarantee fund paid to Shenzhen Stock Exchange	11,500	37,750
	143,864	620,251

35. CLEARING SETTLEMENT FUNDS

Group

	As at 31 December	
	2013	2012
Clearing settlement funds held with clearing houses for:		
– House accounts	291,454	466,026
– Clients	4,082,463	4,075,449
	4,373,917	4,541,475



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35. CLEARING SETTLEMENT FUNDS (Continued)

Company

	As at 31 December	
	2013	2012
Clearing settlement funds held with clearing houses for:		
– House accounts	226,828	337,240
– Clients	3,815,770	3,809,237
	4,042,598	4,146,477

These clearing settlement funds are held by the clearing houses for the Group and the Company, and these balances carry interest at prevailing market interest rates.

36. BANK BALANCES

Group

	As at 31 December	
	2013	2012
House accounts	3,339,541	3,455,016
Cash held on behalf of customers ⁽¹⁾	29,744,157	33,151,989
	33,083,698	36,607,005

Company

	As at 31 December	
	2013	2012
House accounts	1,815,793	2,303,395
Cash held on behalf of customers ⁽¹⁾	25,298,074	29,635,629
	27,113,867	31,939,024

Bank balances comprise time and demand deposits at bank which bear interest at the prevailing market rates.

(1) The Group and the Company maintain bank accounts with banks to hold customers' deposits arising from normal business transactions. The Group and the Company have recognized the corresponding amount in accounts payable to brokerage clients (note 40).

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37. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

Group

	As at 31 December	
	2013	2012
Bank balances – house accounts	1,903,056	3,455,016
Clearing settlement funds – house accounts	291,454	466,026
	2,194,510	3,921,042

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 2013, bank deposits with original maturity of more than three months held by the Group were RMB 1,420.48 million (2012: Nil) and a bank deposit of RMB 16.00 million (2012: Nil) was restricted for use based on a court ruling as set out in note 58.

38. SUBORDINATED BONDS

Group and Company

Details of the Group's and the Company's subordinated bonds as at 31 December 2013 are as follows:

Issuer	Issue date	Maturity date	Coupon rate	Carrying Amount
The Company	10 September 2013	10 September 2014	5.85%	1,000,000
The Company	11 September 2013	11 September 2014	5.85%	2,500,000
The Company	31 October 2013	31 October 2014	6.25%	500,000
Total				4,000,000

39. DUE TO BANKS AND A NON-BANK FINANCIAL INSTITUTION

Group

	As at 31 December	
	2013	2012
Secured short-term bank loans ⁽¹⁾	180,826	18,858
Unsecured short-term bank loan ⁽²⁾	121,861	–
Placements from a non-bank financial institution ⁽³⁾	290,000	300,000
	592,687	318,858



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39. DUE TO BANKS AND A NON-BANK FINANCIAL INSTITUTION (Continued)

Company

	As at 31 December	
	2013	2012
Placements from a non-bank financial institution ⁽³⁾	290,000	300,000
	290,000	300,000

⁽¹⁾ As at 31 December 2013, the short-term bank loans were secured by readily marketable securities listed on the Main Board of the Hong Kong Stock Exchange with a total fair value of RMB 605.28 million (31 December 2012: RMB 88.28 million) held by the Group as collateral of the loans to margin clients in Hong Kong.

As at 31 December 2013, the short-term bank loans bear interest at 1.49%-1.93% per annum (31 December 2012: 1.50% per annum) and are repayable within one month.

⁽²⁾ As at 31 December 2013, the short-term bank loan of RMB121.86 million was unsecured. The short-term bank loan bears interest at 1.91%-2.41% per annum and will fall due in January 2014.

⁽³⁾ As at 31 December 2013, the placements were obtained from China Cinda Asset Management Co., Ltd. and bear interest at 5.26% per annum, with maturities within 1 month.

As at 31 December 2012, the placements were obtained from China Securities Finance Corporation Limited and bear interest at 5.80% per annum. The placements were repayable within one month and secured by a cash deposit of RMB16.13 million included in deposits with exchanges and a non-bank financial institution and debt securities with a total fair value of RMB 61.80 million included in available-for-sale financial assets.

40. 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 ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value to the readers of these consolidated financial statements in view of the nature of these businesses.

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group and the Company, and were interest bearing at the prevailing market interest rate.

As at 31 December 2013, included in the Group's accounts payable to brokerage clients were approximately RMB 1,361.64 million (2012: RMB 785.08 million) of cash collateral received from clients for margin financing and securities lending arrangement, and included in the Company's accounts payable to brokerage clients were approximately RMB 1,361.64 million (2012: RMB 758.11 million) of cash collateral received from clients for margin financing and securities lending arrangement.

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41. ACCRUED STAFF COSTS

Group

	As at 31 December	
	2013	2012
Salaries, bonus and allowances	1,020,072	788,828
Social welfare	8,180	9,154
Annuity schemes	6,399	13,310
Supplementary retirement benefits (Note 1)	156,959	176,085
Early retirement benefits (Note 2)	48,067	60,815
Others	48,045	56,645
	1,287,722	1,104,837

Company

	As at 31 December	
	2013	2012
Salaries, bonus and allowances	877,917	685,395
Social welfare	8,070	8,919
Annuity schemes	6,399	13,310
Supplementary retirement benefits (Note 1)	156,959	176,085
Early retirement benefits (Note 2)	48,067	60,815
Others	43,937	53,788
	1,141,349	998,312

Note 1: Supplementary retirement benefits

The present value of supplementary retirement benefits, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The calculation of present value of supplementary retirement benefits at 31 December 2013 and 2012 were carried out by Mercer Consulting (China) Ltd.

Movements in the present value of supplementary retirement benefits for the Group and the Company are as follows:

	Year ended 31 December	
	2013	2012
Beginning of the year	176,085	171,522
Current service cost	633	968
Interest on obligation	7,085	6,768
Benefit paid	(6,552)	(3,173)
Actuarial gains recognized	(20,292)	-
End of the year	156,959	176,085



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41. ACCRUED STAFF COSTS (Continued)

Note 1: Supplementary retirement benefits (Continued)

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Valuation at	
	31 December 2013 %	31 December 2012 %
Discount rates of supplementary retirement benefits	5.00	4.10
Expected rates of benefits increase	4.00	4.00
Mortality rates	According to the China Life Insurance Mortality Table (published historical statistics in China)	

Amounts recognized in profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

	Year ended 31 December	
	2013	2012
Service cost:		
Current service cost	633	968
Past service cost and loss from settlements	–	1,468
Net interest expense	7,085	6,768
Components of defined benefit costs recognized in profit or loss	7,718	9,204
Remeasurement on the net defined benefit liability:		
Actuarial gain arising from changes in assumptions	(20,217)	–
Actuarial gain arising from experience adjustments	(75)	–
Components of defined benefit costs recognized in other comprehensive income	(20,292)	–
Total	(12,574)	9,204

Note 2: During the year, the Group recognized RMB 4.55 million (2012: reversed RMB1.64 million) as staff costs and paid RMB 17.30 million (2012: RMB 17.81 million) in respect of the early retirement benefits.

42. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December	
	2013	2012
Payables to interest holders of a consolidated structured entity	300,838	–
Dividend payable	436,171	–
Business taxes and surcharges	121,853	83,215
IPO expenses payable	155,727	–
Customer deposits held for swap transactions	60,757	–
Accrued expense	68,505	33,670
Payables to margin client (note 54)	143,763	–
Payables to clearing house (note 54)	23,642	–
Sundry payables	48,732	98,404
Payable for the securities investor protection fund	26,496	17,901
Interest payable	96,746	10,286
Provision ⁽¹⁾	18,136	18,900
Others	115,005	101,331
	1,616,371	363,707

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42. OTHER PAYABLES AND ACCRUALS (Continued)

Company

	As at 31 December	
	2013	2012
Dividend payable	424,444	–
Business taxes and surcharges	116,502	78,111
IPO expenses payable	155,727	–
Customer deposits held for swap transactions	60,757	–
Accrued expense	48,364	27,565
Sundry payables	48,682	96,661
Payable for the securities investor protection fund	26,496	17,901
Interest payable	96,440	10,286
Provision ⁽¹⁾	18,136	18,900
Others	24,261	35,300
	1,019,809	284,724

(1) The amount mainly represents provision for outstanding litigations as set out in note 58 which the Company provided for based on the estimated settlement amount of the outstanding litigations.

43. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Group and Company

	As at 31 December	
	2013	2012
Analyzed by collateral type:		
Bonds	6,998,379	5,183,436
Rights and interests in margin loans	1,900,000	–
Others	8	–
	8,898,387	5,183,436
Analyzed by market of collateral:		
Stock exchanges	6,938,227	4,333,436
Interbank bond market	60,160	850,000
Others	1,900,000	–
	8,898,387	5,183,436

The Group's exposure to credit risk under financial assets sold under repurchase agreements is considered to be minimal.



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44. SHARE CAPITAL

All shares issued by the Company are fully paid ordinary shares. The par value per share is RMB1. The Company's number of shares and nominal value are as follows:

	As at 31 December	
	2013	2012
Issued and fully paid ordinary shares of RMB1 each (in thousands)		
Domestic shares	5,846,274	6,000,000
H shares	1,690,985	–
	7,537,259	6,000,000
Share capital (in RMB'000)		
Domestic shares	5,846,274	6,000,000
H shares	1,690,985	–
	7,537,259	6,000,000

In May 2013, the Company completed its initial public offering of 1,500,000,000 H shares on the Main Board of Hong Kong Stock Exchange. In June 2013, the joint global coordinators exercised the over-allotment option and thus the Company had issued an additional 37,258,757 H shares which are also listed on the Main Board of Hong Kong Stock Exchange. A total of 1,537,258,757 new shares have been issued by the Company to the public during the year.

The capital increase has been verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP which issued the capital verification report De Shi Bao (Yan) Zi (2013) No. 0130 dated 28 June 2013.

According to the relevant PRC requirements, existing shareholders of the state-owned shares of the Company as at 20 June 2013 have transferred an aggregate number of 153,725,876 state-owned shares of the Company to the National Council for Social Security Fund of the PRC, and such shares were then converted into H shares on a one-for-one basis. As a result of the H share issuance and the above-mentioned transfer, the number of H shares and domestic shares as at 31 December 2013 are 1,690,984,633 and 5,846,274,124 respectively (2012: domestic shares of 6,000,000,000 only).

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45. RESERVES AND RETAINED PROFITS

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Investment revaluation reserve

The investment revaluation reserve represents the fair value changes of available-for-sale financial assets.

(c) Translation reserve

The 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.

(e) Other reserves

Other reserves records the actuarial gains or losses arising from the remeasurement of defined benefit obligation.



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45. RESERVES AND RETAINED PROFITS (Continued)

(f) Distributable profits

In accordance with the relevant regulations, the distributable profits of the Company is deemed to be the lower of (i) the retained profits determined in accordance with PRC GAAP and (ii) the retained profits determined in accordance with IFRSs.

(g) The movements of retained profits of the Company are set out below:

	Reserves					Retained profits
	Capital reserve	Investment revaluation reserve	General reserves	Other reserves	Subtotal	
At 1 January 2012	–	(36,010)	5,720,521	–	5,684,511	4,252,226
Profit for the year	–	–	–	–	–	1,396,356
Other comprehensive income for the year	–	8,845	–	–	8,845	–
Total comprehensive income for the year	–	8,845	–	–	8,845	1,396,356
Appropriation to general reserves	–	–	577,882	–	577,882	(577,882)
At 31 December 2012	–	(27,165)	6,298,403	–	6,271,238	5,070,700
Profit for the year	–	–	–	–	–	2,125,149
Other comprehensive (expense)/ income for the year	–	(308,019)	–	20,292	(287,727)	–
Total comprehensive (expense)/ income for the year	–	(308,019)	–	20,292	(287,727)	2,125,149
Initial public offering (Note 1)	4,960,998	–	–	–	4,960,998	–
Transaction cost of initial public offering (Note 1)	(214,099)	–	–	–	(214,099)	–
Appropriation to general reserves	–	–	777,181	–	777,181	(777,181)
Special Dividend (Note 17)	–	–	–	–	–	(424,444)
At 31 December 2013	4,746,899	(335,184)	7,075,584	20,292	11,507,591	5,994,224

- (1) The Company was listed on the Main Board of the Hong Kong Stock Exchange on 22 May 2013. The excess of the proceeds over the nominal value of the total number of ordinary shares issued which amounted to RMB 4,960,998,000 was credited to the capital reserve. The Company incurred RMB 214,099,000 as share issuance costs, of which RMB 51,519,000 was paid to its subsidiary and eliminated on consolidation.

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46. TRANSFER OF FINANCIAL ASSETS

Repurchase agreements

The Group and the Company entered into repurchase agreements with certain counterparties to sell debt securities classified as available-for-sale financial assets of carrying amount of RMB 7,458.62 million (2012: RMB 5,160.37 million), debt securities classified as financial assets held for trading of carrying amount of RMB 898.22 million (2012: RMB 752.08 million), debt securities classified as financial assets designated at fair value through profit and loss of carrying amount of RMB 600.36 million (2012: RMB 399.73 million), and rights and interests in margin loans included in advances to customers of carrying amount of RMB2,214.85 million (2012: Nil) as at 31 December 2013 which were subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices. The proceeds from selling such debt securities and rights and interests in margin loans totalling RMB 8,898.39 million (2012: RMB 5,183.44 million) as at 31 December 2013 is presented as "financial assets sold under repurchase agreements". As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these debt securities and margin loans to the counterparties during the covered period. However, the Group and the Company are not allowed to sell or repledge these debt securities and margin loans during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group and the Company have determined that it retains substantially all the risks and rewards of these debt securities and margin loans, and therefore have not derecognized these debt securities and margin loans in the consolidated financial statements but regarded them as "collateral" for the secured lending from the counterparties. Normally, the counterparties could only claim from the collateral when there is an event of default on the secured lending.

Securities lending arrangement

The Group and the Company entered into securities lending agreements with clients to lend out its equity securities and ETF classified as available-for-sale financial assets and financial assets designated as at fair value through profit or loss of carrying amount totalling RMB 134.48 million (2012: RMB 205.26 million) as at 31 December 2013, which are secured by client's securities and deposits held as collateral. As stipulated in the securities lending agreements, the legal ownership of these equity securities and ETF is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group and the Company at specified future dates and the maximum covered period is 180 days. The Group and the Company have determined that it retains substantially all the risks and rewards of these securities and therefore have not derecognized these securities in the consolidated financial statements.

The following tables provide a summary of carrying amounts and fair values of the transferred financial assets that are not derecognized in their entirety and the associated liabilities:

Group and Company

As at 31 December 2013	Held for trading	Financial assets designated as at fair value through profit and loss	Available-for-sale financial assets	Advance to customers	Total
Carrying amount of transferred assets	898,220	600,363	7,458,620	2,214,850	11,172,053
Carrying amount of associated liabilities	(701,792)	(469,072)	(5,827,524)	(1,900,000)	(8,898,388)
Net position	196,428	131,291	1,631,096	314,850	2,273,665



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46. TRANSFER OF FINANCIAL ASSETS (Continued)

Group and Company

As at 31 December 2012	Held for trading	Financial assets designated as at fair value through profit and loss	Available-for-sale financial assets profit and loss	Advance to customers	Total
Carrying amount of transferred assets	752,076	399,734	5,160,372	–	6,312,182
Carrying amount of associated liabilities	(617,590)	(328,254)	(4,237,592)	–	(5,183,436)
Net position	134,486	71,480	922,780	–	1,128,746

47. OPERATING LEASE COMMITMENTS

Leases for the properties are negotiated with agreed rental charges. At 31 December 2013 and 2012, lease terms are ranging from 1 to 15 years.

At 31 December 2013 and 2012, the Group and the Company had total future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

The Group as lessee

	As at 31 December	
	2013	2012
Within 1 year	256,704	311,857
Beyond 1 year and not more than 2 years	198,366	192,435
Beyond 2 years and not more than 3 years	161,750	140,546
Beyond 3 years and not more than 5 years	208,260	195,234
More than 5 years	80,264	79,384
	905,344	919,456

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47. OPERATING LEASE COMMITMENTS (Continued)

The Company as lessee

	As at 31 December	
	2013	2012
Within 1 year	229,102	279,409
Beyond 1 year and not more than 2 years	185,704	170,774
Beyond 2 years and not more than 3 years	151,321	131,859
Beyond 3 years and not more than 5 years	201,766	180,729
More than 5 years	76,527	79,384
	844,420	842,155

The Group and the Company as lessor

At 31 December 2013 and 2012, the Group and the Company did not have material lease commitments as lessor.

48. CAPITAL COMMITMENTS

Group

	As at 31 December	
	2013	2012
Contracted but not provided for	4,500	5,788

Company

	As at 31 December	
	2013	2012
Contracted but not provided for	4,495	5,617



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49. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company paid/payable by the Group for each of the years ended 31 December 2013 and 2012 are set out below:

For the year ended 31 December 2013

Name	Fee	Salaries and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive Directors:					
Gu Weiguo	–	628	47	973	1,648
Wu Chengming	–	1,702	45	1,292	3,039
Non-executive Directors:					
Chen Youan	–	670	47	1,003	1,720
Li Chenghui ⁽¹⁾	–	–	–	–	–
Shi Xun ⁽¹⁾	–	–	–	–	–
Xu Guoping ⁽¹⁾	–	–	–	–	–
Qi Xiaoli	–	717	34	553	1,304
Independent Non-executive Directors:					
Liu Feng	283	–	–	–	283
Wang Shiding	270	–	–	–	270
Zhou Ruijin ⁽²⁾	210	–	–	–	210
Wu Yuwu ⁽³⁾	210	–	–	–	210
Zhong Wei ⁽⁶⁾	–	–	–	–	–
Supervisors:					
Yu Wenxiu	–	615	45	863	1,523
Zhong Cheng	–	685	49	534	1,268
Liu Zhiyi ⁽⁵⁾	–	670	62	647	1,379
Gu Shulin	–	745	34	413	1,192
Wu Huanliang ⁽⁴⁾	80	–	–	–	80
	1,053	6,432	363	6,278	14,126

(1) The emoluments of these non-executive Directors of the Company were borne or partially borne by its shareholders and other related parties including China Galaxy Financial Holdings Company Limited, Central Huijin Investment Ltd. ("Central Huijin"), and China Galaxy Investment Management Company Limited during the year ended 31 December 2013. No allocation of the emoluments between these related parties and the Group has been made during the year ended 31 December 2013.

(2) Appointed as independent non-executive Director in January 2013.

(3) Appointed as independent non-executive Director in January 2013.

(4) Appointed as supervisor in May 2013.

(5) Appointed as supervisor in April 2013.

(6) Zhong Wei resigned as independent non-executive Director in January 2013.

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49. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the year ended 31 December 2012

Name	Fee	Salaries and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive Directors:					
Gu Weiguo	–	633	46	981	1,660
Wu Chengming ⁽¹⁾	–	710	19	906	1,635
Non-executive Directors:					
Chen Youan	–	646	46	1,003	1,695
Li Chenghui ⁽¹⁾	–	–	–	–	–
Shi Xun ⁽¹⁾	–	–	–	–	–
Xu Guoping ⁽¹⁾	–	–	–	–	–
Qi Xiaoli ⁽²⁾	–	675	33	557	1,265
Independent Non-executive Directors:					
Liu Feng	270	–	–	–	270
Wang Shiding	290	–	–	–	290
Zhong Wei	290	–	–	–	290
Supervisors:					
Yu Wenxiu	–	594	44	863	1,501
Zhong Cheng	–	688	48	534	1,270
Gu Shulin ⁽³⁾	–	740	33	307	1,080
	850	4,686	269	5,151	10,956

(1) The emoluments of these executive and non-executive Directors of the Company were borne or partially borne by its shareholders and other related parties including China Galaxy Financial Holdings Company Limited, Central Huijin, and China Galaxy Investment Management Company Limited during the year ended 31 December 2012. No allocation of the emoluments between these related parties and the Group has been made during the year ended 31 December 2012.

(2) Ceased to be a supervisor and appointed as non-executive Director in October 2012. The emoluments received for the year ended 31 December 2012 included both the remuneration for her role as supervisor and non-executive Director in 2012.

(3) Appointed as supervisor in October 2012.

The bonuses are discretionary and determined by reference to the Group's and the individuals' performance.

The total compensation packages for these Directors and Supervisors for the year ended 31 December 2012 and 2013 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed when determined.

For the years ended 31 December 2012 and 2013, 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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50. 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	
	2013	2012
Basic salaries and allowances	8,028	3,293
Bonuses	10,838	33,097
Employer's contribution to pension schemes	451	296
	19,317	36,686

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 2012 and 2013.

The emoluments of the highest-paid individuals of the Group fall within the following bands:

	Year ended 31 December	
	2013 No. of employees	2012 No. of employees
Emolument bands		
– HKD4,500,001 to HKD5,000,000	4	–
– HKD5,000,001 to HKD5,500,000	1	–
– HKD8,000,001 to HKD8,500,000	–	1
– HKD8,500,001 to HKD9,000,000	–	2
– HKD9,000,001 to HKD9,500,000	–	1
– HKD9,500,001 to HKD10,000,000	–	1
	5	5

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51. RELATED PARTY TRANSACTIONS

(1) Immediate holding company

Galaxy Financial Holdings is a financial holding company approved by the State Council of the PRC and was established in Beijing on 8 August 2005. Galaxy Financial Holdings owned 5,217,743,240 shares (2012: 5,364,121,983 shares), representing 69.23% of the entire equity interest of the Company as at 31 December 2013 (2012: 89.40%). Galaxy Financial Holdings' shareholders are Central Huijin with 78.57% equity interest and the Ministry of Finance ("the MOF") with 21.43% equity interest.

Central Huijin is a wholly-owned subsidiary of China Investment Corporation Limited, and is incorporated in Beijing, PRC. Central Huijin was established to hold certain equity investments as authorized by the State Council and does not engage in other commercial activities. Central Huijin exercises legal rights and obligations in the Group on behalf of the PRC Government.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies.

During the years of 2012 and 2013, the Group provided securities brokerage and asset management services to Galaxy Financial Holdings and details of the significant transactions and balances are set out below.

	As at 31 December	
	2013	2012
Accounts payable to brokerage clients	11,442	1
Special dividends payable (note 17)	379,453	–

In addition to the above related party transactions, the Company provided asset management services to Galaxy Financial Holdings in accordance with an agreement signed in June 2013. As at 31 December 2013, the assets under investment management for Galaxy Financial Holdings amounted to approximately RMB 50.30 million. For the year ended 31 December 2013, the asset management fee income was RMB 0.10 million.

Disposal of a subsidiary

Galaxy Capital signed an equity transfer agreement with Galaxy Financial Holdings in December 2012 to transfer all equity interests of Galaxy Dahua that it held to Galaxy Financial Holdings at a consideration of RMB 5.50 million and resulted in a gain of RMB 4.55 million. Upon completion of the transfer on 31 December 2012, Galaxy Dahua ceased to be a subsidiary of the Group.



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51. RELATED PARTY TRANSACTIONS (Continued)

(2) Central Huijin

Central Huijin holds equity interests in a number of banks and non-bank financial institutions in the PRC that are accounted for as subsidiaries, associates and joint ventures (collectively referred to as the "Central Huijin Group"). The Group conducts transactions with Central Huijin Group under normal commercial terms. Such transactions mainly include deposits at banks, securities and futures dealing and broking, underwriting of equity and debt securities, and purchase and sale of equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group.

The Group's transactions with Central Huijin Group

	Year ended 31 December	
	2013	2012
Commission and fee income	10,087	2,407
Interest income from banks and non-bank financial institutions within the Central Huijin Group	635,561	740,406
Investment gains of equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group	5,801	15,740
Interest expenses to brokerage clients within the Central Huijin Group	9,064	5,911

The Group's balances with Central Huijin Group

	As at 31 December	
	2013	2012
Equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group classified as		
– available-for-sale financial assets	1,300	1,506
– financial assets held for trading	230,863	592
– financial assets designated as at fair value through profit or loss	157,982	375,218
Accounts receivable from the Central Huijin Group	–	1,605
Bank balances deposited with banks within the Central Huijin Group	20,490,084	21,160,689
Accounts payable to brokerage clients within the Central Huijin Group	49,527	86,045

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51. RELATED PARTY TRANSACTIONS (Continued)

(3) Government related entities

Other than disclosed above, a significant portion of the Group's transactions are entered into with government related entities including securities and futures dealing and broking, underwriting of debt securities, purchase and sales of government bonds, and equity and debt securities issued by other government related entities. These transactions are entered into under normal commercial terms and conditions. At the end of the reporting period, the Group holds such investments in equity and debt securities and has balances with these government related entities including accounts payable to brokerage clients.

Directors of the Company consider that transactions with government related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the counterparties are government related entities.

(4) Other related parties

Other related parties which have transactions with the Group are as follows:

Name	Relationship
銀河基金管理有限公司 Galaxy Fund Management Company Limited ("Galaxy Fund Management")*	fellow subsidiary
銀河保險經紀(北京)有限責任公司 Galaxy Insurance Brokerage (Beijing) Company Limited ("Galaxy Insurance Brokerage")*	fellow subsidiary
中国銀河投資管理有限公司 China Galaxy Investment Management Company Limited ("Galaxy Investment")*	Note

Note: Shareholders of Galaxy Investment are Galaxy Financial Holdings and the MOF. Their chairman of the board, Mr. Xu Guoping also serves as director and deputy general manager of Galaxy Financial Holdings and is a director of the Company.

* These subsidiaries do not have official English names.

The Group's transactions with other related parties

Commission and fee income

	Year ended 31 December	
	2013	2012
Galaxy fund management	2,395	3,782



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51. RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties (Continued)

The Group's transactions with other related parties (Continued)

Other income

	Year ended 31 December	
	2013	2012
Galaxy Investment	1,834	–

Other operating expenses

	Year ended 31 December	
	2013	2012
Galaxy Investment	65,293	64,280

For the years ended 31 December 2013 and 2012, other operating expenses between the Group and Galaxy Investment solely related to the leasing of premises owned by Galaxy Investment.

The Group's balances with other related parties

Other payables

	As at 31 December	
	2013	2012
Galaxy Insurance Brokerage	–	1,369

Accounts payable to brokerage clients

	As at 31 December	
	2013	2012
Galaxy Investment	3,455	2,812

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51. RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties (Continued)

The Group's balances with other related parties (Continued)

	As at 31 December	
	2013	2012
The Group as lessee		
Within 1 year	8,604	63,090
Beyond 1 year and not more than 2 years	2,169	7,290
Beyond 2 years and not more than 3 years	534	2,169
Beyond 3 years and not more than 5 years	–	557
	11,307	73,106

Collective asset management plans held by Galaxy Investment

As at 31 December 2013, Galaxy Investment invested in collective asset management plans issued by the Company with a fair value of RMB 8.65 million (2012: RMB 8.30 million).

(5) Key management personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, including the directors, supervisors and senior management.

	Year ended 31 December	
	2013	2012
Salaries, allowances, bonuses, social welfare and annuity scheme contribution	40,924	42,215

Note: According to the regulations of the PRC relevant authorities, the key management personnel's final emoluments for the year ended 31 December 2013 have not been finalized. Management of the Group believes that difference in emoluments will not have significant impact on the consolidated financial statements as at 31 December 2013. The amount of actual remuneration will be disclosed when determined.



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52. SEGMENT REPORTING

Information reported to the chief operating decision maker (the "CODM"), being the Board of Directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group's basis of organization, whereby the businesses are organized and managed separately as individual strategic business unit that offers different products and serves different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the Board of Directors, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

Specifically, the Group's operating segments are as follows:

- (a) Securities brokerage: This segment engages in the provision of securities dealing and broking, margin financing to margin clients and securities lending;
- (b) Futures brokerage: This segment engages in futures dealing and broking, futures information consulting and training;
- (c) Proprietary trading and other securities trading services: This segment engages in trading of equities, bonds, funds, derivatives and other financial products for the Group;
- (d) Investment banking: This segment engages in the provision of corporate finance services including underwriting of equity and debt securities and financial advisory services to institutional clients;
- (e) Asset management: This segment engages in the provision of portfolio management and maintenance, investment advisory and transaction execution services;
- (f) Private equity investment: This segment makes direct equity investments in private companies and realizes capital gains by exiting from these private equity investments through initial public offerings or share sales, or receives dividends from these portfolio companies;
- (g) Overseas business: This segment mainly represents the business operations in securities brokerage, futures brokerage, securities research, investment banking, margin financing, money lending, asset management and insurance brokerage business that are carried out in Hong Kong; and
- (h) Others: This segment mainly represents head office operations, investment holding as well as interest income and interest expense arising from general working capital.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during both years.

Segment profit or loss represents the profit earned or loss incurred by each segment without allocation of income tax expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Segment assets or liabilities are allocated to each segment, excluding deferred tax assets. Inter-segment balances mainly resulted from futures brokerage transaction carried out by futures brokerage segment for proprietary trading and other securities trading services segment and are eliminated upon consolidation. The segment result excludes income tax expense while the segment assets and liabilities include prepaid taxes and current tax liabilities respectively.

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52. 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 2013 and 2012.

The operating and reportable segment information provided to the CODM for the years ended 31 December 2013 and 2012 is as follows:

	Securities brokerage	Futures brokerage	Proprietary trading and other securities trading services	Investment banking	Asset management	Private equity investment	Overseas business	Others	Segment total	Eliminations	Consolidated total
For the year ended 31 December 2013											
Segment revenue and results											
Revenue											
– External	6,150,839	620,647	823,548	411,231	136,608	9,593	150,119	100,786	8,403,371	–	8,403,371
– Inter-segment	7,075	–	–	–	–	–	52,317	–	59,392	(59,392)	–
Other income and gains	15,999	2,591	–	–	–	–	98	4,170	22,858	–	22,858
Segment revenue and other income	6,173,913	623,238	823,548	411,231	136,608	9,593	202,534	104,956	8,485,621	(59,392)	8,426,229
Segment expenses	(3,275,299)	(422,804)	(443,632)	(288,726)	(56,503)	(176,881)	(159,353)	(717,552)	(5,540,750)	7,873	(5,532,877)
Segment result	2,898,614	200,434	379,916	122,505	80,105	(167,288)	43,181	(612,596)	2,944,871	(51,519)	2,893,352
Share of result of an associate	–	–	–	–	–	–	–	(334)	(334)	–	(334)
Profit/(loss) before income tax	2,898,614	200,434	379,916	122,505	80,105	(167,288)	43,181	(612,930)	2,944,537	(51,519)	2,893,018
As at 31 December 2013											
Segment assets and liabilities											
Segment assets	52,073,633	8,677,314	15,889,725	376,004	293,150	1,166,363	1,357,133	26,284,503	106,117,825	(28,141,661)	77,976,164
Deferred tax assets											308,204
Group's total assets											78,284,368
Segment liabilities	48,936,097	7,274,316	16,112,435	37,164	214,253	311,766	882,873	7,235,459	81,004,363	(28,141,661)	52,862,702
Other segment information											
Depreciation and amortization	189,612	9,670	1,695	1,872	1,617	697	6,143	7,487	218,793	–	218,793
Impairment losses	22,183	–	76	4,079	17,461	147,500	–	867	192,166	–	192,166
Additions to non-current assets	51,770	24,996	–	–	–	88	4,569	26,817	103,240	–	103,240



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52. SEGMENT REPORTING (Continued)

	Securities brokerage	Futures brokerage	Proprietary trading and other securities trading services	Investment banking	Asset management	Private equity investment	Overseas business	Others	Segment total	Eliminations	Consolidated total
For the year ended 31 December 2012											
Segment revenue and results											
Revenue											
- External	4,054,718	517,411	387,677	698,413	44,781	20,377	33,491	167,139	5,924,007	-	5,924,007
- Inter-segment	6,586	-	-	-	-	-	-	-	6,586	(6,586)	-
Other income and gains	19,725	3,822	-	326	-	4,817	2	8,861	37,553	-	37,553
Segment revenue and other income	4,081,029	521,233	387,677	698,739	44,781	25,194	33,493	176,000	5,968,146	(6,586)	5,961,560
Segment expenses	(2,624,423)	(358,400)	(164,583)	(403,311)	(73,789)	(23,208)	(68,785)	(365,334)	(4,081,833)	6,586	(4,075,247)
Profit/(loss) before income tax	1,456,606	162,833	223,094	295,428	(29,008)	1,986	(35,292)	(189,334)	1,886,313	-	1,886,313
As at 31 December 2012											
Segment assets and liabilities											
Segment assets	43,056,563	6,601,961	12,252,829	109,431	230,774	1,029,133	677,732	15,564,837	79,523,260	(15,402,061)	64,121,199
Deferred tax assets											174,385
Group's total assets											64,295,584
Segment liabilities	42,598,151	5,848,639	12,282,449	98,320	262,144	17,993	233,926	797,175	62,138,797	(15,402,061)	46,736,736
Other segment information											
Depreciation and amortization	242,151	6,680	1,974	2,970	1,419	104	4,756	23,755	283,809	-	283,809
Impairment losses	(6,650)	-	629	1,071	30,322	-	6	1,592	26,970	-	26,970
Additions to non-current assets	139,613	16,901	-	-	-	913	8,615	72,212	238,254	-	238,254

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53. FINANCIAL INSTRUMENTS

Categories of financial instruments

Group

	As at 31 December	
	2013	2012
Financial assets		
Loans and receivables	61,086,766	50,595,173
Available-for-sale financial assets	9,790,132	6,650,976
Financial assets held for trading	5,027,321	4,622,021
Financial assets designated as at fair value through profit or loss	942,506	831,037
Financial liabilities		
Financial liabilities at amortized cost	51,246,656	45,380,064

Company

	As at 31 December	
	2013	2012
Financial assets		
Loans and receivables	51,177,087	43,098,616
Available-for-sale financial assets	8,755,356	6,208,526
Financial assets held for trading	4,991,274	4,427,645
Financial assets designated as at fair value through profit or loss	942,506	831,037
Financial liabilities		
Financial liabilities at amortized cost	43,187,580	39,600,289



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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 2013						
Type of financial assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the consolidated statement	Net amounts of financial assets presented in the consolidated statement	Related amounts not offset in the consolidated statement		Net amount
				Financial instruments other than cash collateral	cash collateral received	
Loans to margin clients ⁽¹⁾	784,025	(145,983)	638,042	(628,392)	-	9,650
Accounts receivable from clearing house ⁽²⁾	258,392	(235,070)	23,322	-	-	23,322
Total	1,042,417	(381,053)	661,364	(628,392)	-	35,253

As at 31 December 2012						
Type of financial assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the consolidated statement	Net amounts of financial assets presented in the consolidated statement	Related amounts not offset in the consolidated statement		Net amount
				Financial instruments other than cash collateral	cash collateral received	
Loans to margin clients ⁽¹⁾	285,543	(18,496)	267,047	(267,013)	-	34
Accounts receivable from clearing house ⁽²⁾	36,822	(25,790)	11,032	-	-	11,032
Total	322,365	(44,286)	278,079	(267,013)	-	11,066

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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 2013						
Type of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the consolidated statement	Net amounts of financial liabilities presented in the consolidated statement	Related amounts not offset in the consolidated statement		Net amount
				Financial instruments other than cash collateral	Cash collateral pledged	
Accounts payable to						
– margin clients ⁽¹⁾	289,746	(145,983)	143,763	–	–	143,763
– clearing house ⁽²⁾	258,712	(235,070)	23,642	–	(981)	22,661
Total	548,458	(381,053)	167,405	–	(981)	174,307

As at 31 December 2012, the offsetting amount of accounts payable was insignificant.

Notes:

- (1) Under the agreements signed between the Group and the customers, money obligations receivables and payables with the same customer are settled on net basis.
- (2) Under the agreement of Continuous Net Settlement made between the Group and clearing house, money obligations receivables and payables with clearing house on the same settlement date are settled on net basis.

The table below reconciles the “net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position”, as set out above, to the “Advances to customers” presented in the consolidated statement of financial position.

Financial Assets	As at 31 December	
	2013	2012
Net amount of loans to margin clients ⁽¹⁾ after offsetting as stated above	638,042	267,047
Loans to margin clients not in scope of offsetting disclosures	17,754,736	5,171,621
Total loans to margin clients	18,392,778	5,438,668



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55. FINANCIAL RISK MANAGEMENT

Overview

The objective of the Group's and the Company's risk management is to achieve an appropriate balance between risk and return, and reduce the negative impact on the Group's and the Company's operating results and maximize shareholder value. The Group's and the Company's risk management strategy is to identify and analyze the various risks faced by the Group and the Company, establish appropriate risk tolerance, and reliably measure and monitor the risks on a timely and effective manner to ensure the risks are controlled within the tolerance level.

In daily operation, the Group and the Company are mainly exposed to credit risk, market risk and liquidity risk. The Group and the Company have established risk management policies and procedures to identify and analyze these risks, set appropriate risk indicators, risk limits, risk policies and internal control processes, and monitor and manage the risks continuously through its information system.

Risk management organizational structure

The corporate risk management structure includes the Board of Directors and its subordinate Risk Management Committee, the Board of Supervisors, the senior management and its subordinate Risk Management Department, the Legal and Compliance Department, the Audit Department and risk control officers and compliance managers at branches and business units, which are divided into three levels as follows:

The first level: the Board of Directors is the highest decision making body of the risk management structure and sets overall risk management and internal control strategies. The Board of Directors has established a Risk Management Committee, which is responsible for assisting the Board of Directors in formulating the Group's and the Company's risk management strategies, risk principles and risk regulations, and developing the Group's and the Company's risk tolerance and risk limits. The Board of Supervisors monitors whether the Board of Directors and the senior management have fulfilled the responsibility of risk management on a timely and effective manner.

The second level: the senior management is responsible for the implementation of risk management strategies, objectives and policies. The chief risk officer is in charge of overall risk management. The Risk Management Department, the Legal and Compliance Department and the Audit Department are responsible for monitoring, supervising and managing various risks.

The third level: the head of department or branch is in charge of its own department's or branch's risk management. Risk control officers and compliance managers are responsible for the daily risk management of the business operation under the guidance of the Risk Management Department.

Under the risk management structure, the Group and the Company continues to enhance their risk management, ensuring risks are measurable, controllable and acceptable.

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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 and the Company's credit exposure mainly relates to fixed income financial assets, financial assets under margin financing and securities lending arrangement and the Group's and the Company's securities and futures brokerage business. The Group's and the Company's financial assets exposed to credit risk mainly include advances to customers, accounts receivable, other financial assets, loan investment, available-for-sale financial assets, financial assets held under resale agreements, financial assets held for trading, financial assets designated as at fair value through profit or loss, deposits with exchanges and a non-bank financial institution, clearing settlement funds and bank balances.

Fixed income financial assets include bank balances, clearing settlement funds, loan investment and debt securities. Credit risk mainly includes counterparty risk and securities issuer's default risk.

Bank balances of the Group and the Company are mainly deposited in state-owned commercial banks or joint-stock commercial banks, and clearing settlement funds are deposited with the China Securities Depository and Clearing Corporation Limited (the "CSDCC"). Their exposure to credit risk is considered low.

For proprietary trading business, when the transactions are conducted through stock exchanges and the CSDCC, the counterparty default risk is considered low. For transactions conducted through the interbank market, counterparties are evaluated and only parties with good credit rating are authorized for trading.

In order to control the risk of its investment portfolio, the Group and the Company invest strictly in bonds with rating of AA-or above. Therefore, the Group and the Company consider the credit exposure of proprietary trading business is not significant.

Margin trading assets consist of advances to customers and securities lent to customers. The main credit risk of these financial assets is customers' failure to repay the principal, interests or securities lent to them. The Group and the Company monitor margin trading clients' accounts on an individual customer basis and call for additional margin deposits, cash collateral or securities when necessary. The advances to margin clients are monitored through their collateral ratios, which ensure the value of the pledged assets is sufficient to cover the advances. As at 31 December 2013 and 2012, the collateral ratios of all of the Group's and the Company's margin clients were above 130%, respectively, which indicated the collateral value was sufficient to cover the exposure to credit risk arising from margin trading.



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55. FINANCIAL RISK MANAGEMENT (Continued)

55.1 Credit risk (Continued)

The credit risk of the Group and the Company also arises from their securities and futures brokerage business. In the case of customers failing to deposit adequate funds, the Group and the Company may have to complete the trade settlement using their own funds. To mitigate the credit risk, the Group and the Company require cash deposit of full amounts for all transactions before they settle on behalf of customers. Through this, the Group and the Company can assure the credit risk is appropriately managed.

Taking no account of collateral or other credit enhancements, the maximum credit exposure is the carrying amount of financial assets, which is net of impairment allowance. The maximum credit risk exposure of the Group and the Company are as follows:

Group

	As at 31 December	
	2013	2012
Advances to customers	18,392,778	5,438,668
Accounts receivable	300,915	202,880
Other financial assets	720,878	381,300
Loan investment	90,000	–
Available-for-sale financial assets ⁽¹⁾	7,961,352	5,552,597
Including: Securities lent to customers	26,816	35,499
Financial assets held under resale agreements	1,283,838	809,523
Financial assets held for trading ⁽¹⁾	3,269,009	3,346,520
Financial assets designated as at fair value through profit or loss ⁽¹⁾	736,505	655,164
Including: Securities lent to customers	107,663	169,764
Derivative financial assets	2,281	–
Deposits with exchanges and a non-bank financial institution	2,840,742	2,614,323
Clearing settlement funds	4,373,917	4,541,475
Bank balances	33,083,698	36,607,005
	73,055,913	60,149,455

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55. FINANCIAL RISK MANAGEMENT (Continued)

55.1 Credit risk (Continued)

Company

	As at 31 December	
	2013	2012
Advances to customers	17,660,392	5,171,621
Accounts receivable	118,690	88,602
Other financial assets	656,472	345,929
Amounts due from subsidiaries	157,366	127,189
Available-for-sale financial assets ⁽¹⁾	7,961,352	5,552,597
Including: Securities lent to customers	26,816	35,499
Financial assets held under resale agreements	1,283,838	659,523
Financial assets held for trading ⁽¹⁾	3,269,009	3,346,520
Financial assets designated as at fair value through profit or loss ⁽¹⁾	736,505	655,164
Including: Securities lent to customers	107,663	169,764
Derivative financial assets	2,281	–
Deposits with exchanges and a non-bank financial institution	143,864	620,251
Clearing settlement funds	4,042,598	4,146,477
Bank balances	27,113,867	31,939,024
	63,146,234	52,652,897

(1) Financial assets held for trading contains only debt securities. Available-for-sale financial assets and financial assets designated as at fair value through profit or loss contain debt securities and equity securities lent to customers. Securities lent to customers are mainly equity securities, therefore listed above separately to show the credit risk exposure.

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

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 and the Company utilize sensitivity analysis as the main tool of monitoring interest rate risk and measuring the impact to total profit and equity of a reasonable and possible change of interest rate, assuming all other variables were held constant. Debt securities of the Group and the Company mainly comprise corporate bonds, and the Group and the Company mitigate the interest rate risk through optimizing the duration and convexity of the bond portfolio. Interest rate risk in connection with cash held on behalf of customers in bank balances and clearing settlement funds is offset by the associated accounts payable to brokerage clients because their terms match with each other.



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55. FINANCIAL RISK MANAGEMENT (Continued)

55.2 Market risk (Continued)

Interest rate risk (Continued)

The tables below summarize the Group's and the Company's interest-bearing financial assets and liabilities by their remaining terms to repricing or contractual maturity date, whichever is earlier. Other financial assets and liabilities not included below are not exposed to significant interest rate risk.

Group

As at 31 December 2013

	Less than 1 year	More than 1 but less than 3 years	More than 3 but less than 5 years	More than 5 years	Total
Financial assets					
Advances to customers	18,392,778	-	-	-	18,392,778
Loan investment	90,000	-	-	-	90,000
Available-for-sale debt securities	247,480	358,169	2,234,526	5,094,361	7,934,536
Financial assets held under resale agreements	1,087,393	196,445	-	-	1,283,838
Financial assets held for trading	671,746	1,405,777	434,819	756,667	3,269,009
Financial assets designated as at fair value through profit or loss	-	187,723	416,662	24,457	628,842
Clearing settlement funds	4,373,917	-	-	-	4,373,917
Bank balances	33,083,698	-	-	-	33,083,698
Subtotal	57,947,012	2,148,114	3,086,007	5,875,485	69,056,618
Financial liabilities					
Subordinated bonds	4,000,000	-	-	-	4,000,000
Due to banks and a non-bank financial institution	592,687	-	-	-	592,687
Accounts payable to brokerage clients	36,451,282	-	-	-	36,451,282
Financial assets sold under repurchase agreements	8,898,387	-	-	-	8,898,387
Subtotal	49,942,356	-	-	-	49,942,356
Net interest-bearing position	8,004,656	2,148,114	3,086,007	5,875,485	19,114,262

SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

55.2 Market risk (Continued)

Interest rate risk (Continued)

Group (Continued)

As at 31 December 2012

	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	5,438,668	–	–	–	5,438,668
Available-for-sale debt securities	100,610	293,089	1,471,392	3,652,007	5,517,098
Financial assets held under resale agreements	809,523	–	–	–	809,523
Financial assets held for trading	281,945	789,915	850,988	1,423,672	3,346,520
Financial assets designated as at fair value through profit or loss	–	–	454,664	30,736	485,400
Clearing settlement funds	4,541,475	–	–	–	4,541,475
Bank balances	36,607,005	–	–	–	36,607,005
Subtotal	47,779,226	1,083,004	2,777,044	5,106,415	56,745,689
Financial liabilities					
Due to banks and a non-bank financial institution	318,858	–	–	–	318,858
Accounts payable to brokerage clients	39,745,629	–	–	–	39,745,629
Financial assets sold under repurchase agreements	5,183,436	–	–	–	5,183,436
Subtotal	45,247,923	–	–	–	45,247,923
Net interest-bearing position	2,531,303	1,083,004	2,777,044	5,106,415	11,497,766



SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

55.2 Market risk (Continued)

Interest rate risk (Continued)

Company

As at 31 December 2013

	Less than 1 year	More than 1 but less than 3 years	More than 3 but less than 5 years	More than 5 years	Total
Financial assets					
Advances to customers	17,660,392	–	–	–	17,660,392
Available-for-sale debt securities	247,480	358,169	2,234,526	5,094,361	7,934,536
Financial assets held under resale agreements	1,087,393	196,445	–	–	1,283,838
Financial assets held for trading	671,746	1,405,777	434,819	756,667	3,269,009
Financial assets designated as at fair value through profit or loss	–	187,723	416,662	24,457	628,842
Clearing settlement funds	4,042,598	–	–	–	4,042,598
Bank balances	27,113,867	–	–	–	27,113,867
Subtotal	50,823,476	2,148,114	3,086,007	5,875,485	61,933,082
Financial liabilities					
Subordinated bonds	4,000,000	–	–	–	4,000,000
Due to banks and a non-bank financial institution	290,000	–	–	–	290,000
Accounts payable to brokerage clients	29,193,684	–	–	–	29,193,684
Financial assets sold under repurchase agreements	8,898,387	–	–	–	8,898,387
Subtotal	42,382,071	–	–	–	42,382,071
Net interest-bearing position	8,441,405	2,148,114	3,086,007	5,875,485	19,551,011

SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

55.2 Market risk (Continued)

Interest rate risk (Continued)

Company (Continued)

As at 31 December 2012

	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	5,171,621	–	–	–	5,171,621
Available-for-sale debt securities	100,610	293,089	1,471,392	3,652,007	5,517,098
Financial assets held under resale agreements	659,523	–	–	–	659,523
Financial assets held for trading	281,945	789,915	850,988	1,423,672	3,346,520
Financial assets designated as at fair value through profit or loss	–	–	454,664	30,736	485,400
Clearing settlement funds	4,146,477	–	–	–	4,146,477
Bank balances	31,939,024	–	–	–	31,939,024
Subtotal	42,299,200	1,083,004	2,777,044	5,106,415	51,265,663
Financial liabilities					
Due to banks and a non-bank financial institution	300,000	–	–	–	300,000
Accounts payable to brokerage clients	33,996,895	–	–	–	33,996,895
Financial assets sold under repurchase agreements	5,183,436	–	–	–	5,183,436
Subtotal	39,480,331	–	–	–	39,480,331
Net interest-bearing position	2,818,869	1,083,004	2,777,044	5,106,415	11,785,332



SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (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. The analysis is prepared assuming interest-bearing assets and liabilities outstanding at the end of each Reporting Period were held to maturity. When reporting to the management on the interest rate risk, a 100 basis points increase or decrease in the relevant interest rates will be adopted for sensitivity analysis, assuming all other variables were held constant, which represents a reasonably possible change in interest rates. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax or vice versa.

Group

	Year ended 31 December	
	2013	2012
Profit before income tax for the year		
Increase by 100bps	(54,577)	(117,401)
Decrease by 100bps	54,577	117,401

	Year ended 31 December	
	2013	2012
Other comprehensive income before income tax		
Increase by 100bps	(340,232)	(293,160)
Decrease by 100bps	340,232	293,160

Company

	Year ended 31 December	
	2013	2012
Profit before income tax for the year		
Increase by 100bps	(52,393)	(115,963)
Decrease by 100bps	52,393	115,963

	Year ended 31 December	
	2013	2012
Other comprehensive income before income tax		
Increase by 100bps	(340,232)	(293,160)
Decrease by 100bps	340,232	293,160

SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (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 and the Company's currency risk primarily relates to the Group's and the Company's operating activities whose settlements and payments are denominated in foreign currencies which are different from the respective group entity's functional currency.

The foreign currency assets and liabilities held by the Group and the Company are not material compared to the total assets and liabilities. In terms of the Group's and the Company's revenue structure, a majority of the business transactions are denominated in RMB, and the proportion of foreign currency transactions is not significant to the Group and the Company. The Group and the Company consider that the currency risk of the Group's and the Company's operations is immaterial due to the relatively low proportion of the Group's and the Company's foreign currency denominated assets, liabilities, income and expense, as compared to the Group's and the Company's total assets, liabilities, income and expenses. Hence, no further analysis is presented.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's and the Company's price risk exposure mainly relates to investments in equity securities, funds, convertible bonds, derivatives and collective asset management plans whose values will fluctuate as a result of changes in market prices. Most of these investments of the Group and of the Company are in the capital markets in China. The Group and the Company are subject to increased market risk largely because the stock markets in the PRC are relatively volatile.

The Group's and the Company's price risk management policy requires setting and managing investment objectives. The directors of the Company manage price risk by holding an appropriately diversified investment portfolio, setting limits for investments in different securities and closely monitoring the portfolio of investments to reduce the risk of concentration in any one specific industry or issuer. The Group and the Company use derivatives contracts to economically hedge against the exposure arising from its investment portfolio.

Sensitivity analysis

The analysis below is performed to show the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of equity securities, funds, convertible bonds, derivatives and collective asset management plans by 10% with all other variables held constant. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax or vice versa.



SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

55.2 Market risk (Continued)

Price risk

Sensitivity analysis

Group

	Year ended 31 December	
	2013	2012
Profit before income tax for the year		
Increase by 10%	207,694	155,516
Decrease by 10%	(207,694)	(155,516)

	Year ended 31 December	
	2013	2012
Other comprehensive income before income tax		
Increase by 10%	142,239	69,143
Decrease by 10%	(142,239)	(69,143)

Company

	Year ended 31 December	
	2013	2012
Profit before income tax for the year		
Increase by 10%	204,090	136,078
Decrease by 10%	(204,090)	(136,078)

	Year ended 31 December	
	2013	2012
Other comprehensive income before income tax		
Increase by 10%	68,256	69,143
Decrease by 10%	(68,256)	(69,143)

SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

55.3 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting obligations associated with financial liabilities due to shortages of capital or funds. During the normal course of business, the Group and the Company may face liquidity risk caused by macroeconomic policy change, market fluctuation, poor operations, credit downgrades, mismatch of assets and liabilities, low turnover rate of assets, early redemption of exchange-quoted bond repurchase product by customers, large underwriting on a firm commitment basis, significant proprietary trading position, or high ratio of long-term investment. If the Group and the Company fail to address any liquidity risk by adjusting the asset structure or comply with regulatory requirements on the risk indicators, the Group and the Company could be penalized by the regulatory authority by imposing restrictions on the Group's and the Company's business operation, which would then cause adverse impact on the Group's and the Company's operation and reputation.

The Group and the Company centralized management and control over funds. Through early alert and management on the usage of large sums of money, the Group and the Company achieve the objective of centralized control and management of liquidity risk. After balancing among safety, liquidity and profitability, the Group and the Company adjust and allocate asset size and terms structure, so as to establish different levels of liquidity reserve system and achieve the objective of liquidity risk management through money market and capital market transactions in a timely manner.

The Group and the Company prepare funding plan of different terms and report its implementation progress to the management to reflect the status of liquidity risk management.

Undiscounted cash flows by contractual maturities

The tables below present the cash flows receivable and payable by the Group and the Company for non-derivative financial assets and liabilities by remaining contractual maturities at the end of each Reporting Period. The amounts disclosed in the tables are the contractual undiscounted cash flows. The tables include both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is derived from interest rate at the end of each Reporting Period.



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(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

55.3 Liquidity risk (Continued)

Undiscounted cash flows by contractual maturities (Continued)

Group

As at 31 December 2013

	Undated	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
Financial assets								
Advances to customers	-	-	5,404,027	13,737,400	-	-	19,141,427	18,392,778
Accounts receivable	-	300,915	-	-	-	-	300,915	300,915
Other financial assets	-	81,885	-	-	-	-	81,885	81,885
Loan investment	-	-	-	104,525	-	-	104,525	90,000
Available-for-sale financial assets	704,927	-	1,045,746	619,089	4,564,139	6,619,733	13,553,634	9,790,132
Financial assets held under resale agreements	-	-	486,234	682,408	227,326	-	1,395,968	1,283,838
Financial assets held for trading	1,758,312	-	156,863	286,086	2,616,569	1,114,409	5,932,239	5,027,321
Financial assets designated as at fair value through profit or loss	313,664	-	2,582	4,502	640,192	25,175	986,115	942,506
Derivative financial assets	2,281	-	-	-	-	-	2,281	2,281
Deposits with exchanges and a non-bank financial institution	-	2,840,742	-	-	-	-	2,840,742	2,840,742
Clearing settlement funds	-	4,373,917	-	-	-	-	4,373,917	4,373,917
Bank balances	-	28,479,842	2,406,509	2,561,360	-	-	33,447,711	33,083,698
Subtotal	2,779,184	36,077,301	9,501,961	17,995,370	8,048,226	7,759,317	82,161,359	76,210,013
Financial liabilities								
Subordinated bonds	-	-	-	4,236,000	-	-	4,236,000	4,000,000
Due to banks and a non-bank financial institution	-	-	593,390	-	-	-	593,390	592,687
Accounts payable to brokerage clients	-	36,451,282	-	-	-	-	36,451,282	36,451,282
Other financial liabilities	300,837	908,798	-	-	-	-	1,209,635	1,209,635
Derivative financial liabilities	7,883	-	-	-	-	-	7,883	7,883
Financial assets sold under repurchase agreements	-	-	7,149,186	1,850,800	-	-	8,999,986	8,898,387
Subtotal	308,720	37,360,080	7,742,576	6,086,800	-	-	51,498,176	51,159,874
Net position	2,470,464	(1,282,779)	1,759,385	11,908,570	8,048,226	7,759,317	30,663,183	25,050,139

SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

55.3 Liquidity risk (Continued)

Undiscounted cash flows by contractual maturities (Continued)

Group (Continued)

As at 31 December 2012

	Undated	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
Financial assets								
Advances to customers	-	-	1,164,120	4,499,934	-	-	5,664,054	5,438,668
Accounts receivable	-	202,880	-	-	-	-	202,880	202,880
Other financial assets	-	80,939	-	-	-	-	80,939	80,939
Available-for-sale financial assets	833,352	-	124,548	262,105	3,082,541	4,792,915	9,095,461	6,650,976
Financial assets held under								
resale agreements	-	-	306,112	540,395	-	-	846,507	809,523
Financial assets held for trading	1,081,125	-	43,800	359,903	2,254,723	2,178,008	5,917,559	4,622,021
Financial assets designated as at fair value through profit or loss	345,637	-	175	3,233	477,257	40,438	866,740	831,037
Deposits with exchanges and								
a non-bank financial institution	-	2,614,323	-	-	-	-	2,614,323	2,614,323
Clearing settlement funds	-	4,541,475	-	-	-	-	4,541,475	4,541,475
Bank balances	-	36,607,005	-	-	-	-	36,607,005	36,607,005
Subtotal	2,260,114	44,046,622	1,638,755	5,665,570	5,814,521	7,011,361	66,436,943	62,398,847
Financial liabilities								
Due to banks and a non-bank financial institution	-	-	320,216	-	-	-	320,216	318,858
Accounts payable to brokerage clients	-	39,745,629	-	-	-	-	39,745,629	39,745,629
Other financial liabilities	-	124,925	-	-	-	-	124,925	124,925
Financial assets sold under repurchase agreements	-	-	5,196,231	-	-	-	5,196,231	5,183,436
Subtotal	-	39,870,554	5,516,447	-	-	-	45,387,001	45,372,848
Net position	2,260,114	4,176,068	(3,877,692)	5,665,570	5,814,521	7,011,361	21,049,942	17,025,999



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(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

55.3 Liquidity risk (Continued)

Undiscounted cash flows by contractual maturities (Continued)

Company

As at 31 December 2013

	Undated	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
Financial assets								
Advances to customers	-	-	4,671,641	13,737,400	-	-	18,409,041	17,660,392
Accounts receivable	-	118,690	-	-	-	-	118,690	118,690
Other financial assets	-	62,010	-	-	-	-	62,010	62,010
Amounts due from subsidiaries	-	157,366	-	-	-	-	157,366	157,366
Available-for-sale financial assets	409,977	-	305,920	619,089	4,564,139	6,619,733	12,518,858	8,755,356
Financial assets held under resale agreements	-	-	486,234	682,408	227,326	-	1,395,968	1,283,838
Financial assets held for trading	1,722,265	-	156,863	286,086	2,616,569	1,114,409	5,896,192	4,991,274
Financial assets designated as at fair value through profit or loss	313,664	-	2,582	4,502	640,192	25,175	986,115	942,506
Derivative financial assets	2,281	-	-	-	-	-	2,281	2,281
Deposits with exchanges and a non-bank financial institution	-	143,864	-	-	-	-	143,864	143,864
Clearing settlement funds	-	4,042,598	-	-	-	-	4,042,598	4,042,598
Bank balances	-	26,800,061	215,045	104,845	-	-	27,119,951	27,113,867
Subtotal	2,448,187	31,324,589	5,838,285	15,434,330	8,048,226	7,759,317	70,852,934	65,274,042
Financial liabilities								
Subordinated bonds	-	-	-	4,236,000	-	-	4,236,000	4,000,000
Due to banks and a non-bank financial institution	-	-	290,297	-	-	-	290,297	290,000
Accounts payable to brokerage clients	-	29,193,684	-	-	-	-	29,193,684	29,193,684
Other financial liabilities	-	709,069	-	-	-	-	709,069	709,069
Derivative financial liabilities	7,883	-	-	-	-	-	7,883	7,883
Financial assets sold under repurchase agreements	-	-	7,149,186	1,850,800	-	-	8,999,986	8,898,387
Subtotal	7,883	29,902,753	7,439,483	6,086,800	-	-	43,436,919	43,099,023
Net position	2,440,304	1,421,836	(1,601,198)	9,347,530	8,048,226	7,759,317	27,416,015	22,175,019

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(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

55.3 Liquidity risk (Continued)

Undiscounted cash flows by contractual maturities (Continued)

Company (Continued)

As at 31 December 2012

	Undated	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
Financial assets								
Advances to customers	-	-	897,074	4,499,934	-	-	5,397,008	5,171,621
Accounts receivable	-	88,602	-	-	-	-	88,602	88,602
Other financial assets	-	57,612	-	-	-	-	57,612	57,612
Amounts due from subsidiaries	-	127,189	-	-	-	-	127,189	127,189
Available-for-sale financial assets	390,902	-	124,548	262,105	3,082,541	4,792,915	8,653,011	6,208,526
Financial assets held under resale agreements	-	-	156,012	540,395	-	-	696,407	659,523
Financial assets held for trading	1,081,125	-	43,800	359,903	2,254,723	1,983,633	5,723,184	4,427,645
Financial assets designated as at fair value through profit or loss	345,637	-	175	3,233	477,257	40,438	866,740	831,037
Deposits with exchanges and a non-bank financial institution	-	620,251	-	-	-	-	620,251	620,251
Clearing settlement funds	-	4,146,477	-	-	-	-	4,146,477	4,146,477
Bank balances	-	31,939,024	-	-	-	-	31,939,024	31,939,024
Subtotal	1,817,664	36,979,155	1,221,609	5,665,570	5,814,521	6,816,986	58,315,505	54,277,507
Financial liabilities								
Due to banks and a non-bank financial institution	-	-	301,353	-	-	-	301,353	300,000
Accounts payable to brokerage clients	-	33,996,895	-	-	-	-	33,996,895	33,996,895
Other financial liabilities	-	109,672	-	-	-	-	109,672	109,672
Financial assets sold under repurchase agreements	-	-	5,196,231	-	-	-	5,196,231	5,183,436
Subtotal	-	34,106,567	5,497,584	-	-	-	39,604,151	39,590,003
Net position	1,817,664	2,872,588	(4,275,975)	5,665,570	5,814,521	6,816,986	18,711,354	14,687,504



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(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

55.4 Capital management

The Group's and the Company's objectives of capital management are:

- To safeguard the Group's and the Company's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's and the Company's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC and Hong Kong regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2008) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

1. The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
2. The ratio of net capital divided by net assets shall be no less than 40% ("Ratio 2");
3. The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 3");
4. The ratio of net assets divided by liabilities shall be no less than 20% ("Ratio 4");
5. The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 5"); and
6. The ratio of the value of fixed income securities held divided by net capital shall not exceed 500% ("Ratio 6").

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

As at 31 December 2013 and 2012, the Company maintained the above ratios as follows:

	As at 31 December	
	2013	2012
Net capital	20,481,446	13,508,295
Ratio 1	908.99%	662.55%
Ratio 2	81.80%	77.89%
Ratio 3	133.37%	199.64%
Ratio 4	163.04%	256.29%
Ratio 5	12.73%	9.92%
Ratio 6	67.52%	76.39%

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 2013 and 2012.

SECTION XI INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

56. FAIR VALUE OF FINANCIAL INSTRUMENTS

For financial reporting purposes, fair value measurements are categorized in to Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: inputs are quoted prices (unadjusted) in active market for identical assets or liabilities than the entity can access at the measurement date;

Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;

Level 3: inputs are unobservable inputs for the asset or liability.

56.1 Fair value of the financial assets and financial liabilities that are not measured on a recurring basis

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis is estimated using discounted cash flow method.

The carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis approximate their fair values as at 31 December 2013 and 2012.



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56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

56.2 Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the 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 including their fair value hierarchy, valuation technique(s) and key inputs used.

Group

Financial assets/financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Relationship of	
	2013	2012			Significant unobservable input (s)	unobservable input to fair value
1) Held-for-trading financial assets						
Debt securities						
– Traded on stock exchanges	864,048	241,367	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded on inter-bank market	2,404,961	3,105,153	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.	N/A	N/A
Equity securities traded on stock exchanges	127,284	20,856	Level 1	• Quoted bid prices in an active market	N/A	N/A
Funds						
– Money market funds	1,400,000	900,082	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– ETF	193,413	132,026	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Open-ended mutual funds	1,568	28,161	Level 1	• Quoted bid prices in an active market.	N/A	N/A
Other investments	36,047	194,376	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.	N/A	N/A
2) Financial assets designated as at fair value through profit or loss						
Convertible bonds	628,842	485,400	Level 1	• Quoted bid prices in an active market.	N/A	N/A
Equity securities	283,520	318,076	Level 1	• Quoted bid prices in an active market.	N/A	N/A
Funds						
– ETF	30,144	27,561	Level 1	• Quoted bid prices in an active market.	N/A	N/A
3) Available-for-sale financial asset						
Debt securities						
– Traded on stock exchanges	7,522,057	4,998,180	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded on inter-bank market	412,479	518,918	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.	N/A	N/A

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(Amounts in thousands of Renminbi, unless otherwise stated)

56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

56.2 Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Group (Continued)

Financial assets/financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input (s)	Relationship of unobservable input to fair value
	2013	2012				
3) Available-for-sale financial asset (Continued)						
Equity securities						
– Listed outside HK	27,450	33,906	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Restricted shares	362,943	349,440	Level 3	• Discounted cash flows. The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Discount for lack of marketability	The higher the discount, the lower the fair value.
Funds						
– ETF	11,684	7,556	Level 1	• Quoted bid prices in an active market.	N/A	N/A
Other investments						
– Collective asset management plans issued by financial institutions	285,523	198,684	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.	N/A	N/A
– Wealth management products issued by financial institutions	709,500	–	Level 2	• Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in Hong Kong and the PRC in each portfolio.	N/A	N/A
– Targeted asset management plans	163,546	101,842	Level 3	• Calculated based on the fair value of the underlying investments which invest in listed shares with lock up period in which the fair value is determined by reference to the quoted bid price of the listed shares with an adjustment of discount for lack of marketability.	Discount for lack of marketability	The higher the discount, the lower the fair value.
4) Derivative financial instruments						
Equity Return Swaps – assets	2,281	–	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.	N/A	N/A
Equity Return Swaps – liabilities	(7,883)	–	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.	N/A	N/A
Stock index futures (Note)	821	(28,972)	Level 1	• Quoted bid prices in an active market.	N/A	N/A



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(Amounts in thousands of Renminbi, unless otherwise stated)

56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

56.2 Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Company

Financial assets/financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Relationship of	
	2013	2012			Significant unobservable inputs (s)	unobservable input to fair value
1) Held-for-trading financial assets						
Debt securities						
– Traded on stock exchanges	864,048	241,367	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded on inter-bank market	2,404,961	3,105,153	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.	N/A	N/A
Equity securities traded on stock exchanges	127,284	20,856	Level 1	• Quoted bid prices in an active market.	N/A	N/A
Funds						
– Money market funds	1,400,000	900,082	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– ETF	193,413	132,026	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Open-ended mutual funds	1,568	28,161	Level 1	• Quoted bid prices in an active market.	N/A	N/A
2) Financial assets designated as at fair value through profit or loss						
Convertible bonds	628,842	485,400	Level 1	• Quoted bid prices in an active market.	N/A	N/A
Equity securities	283,520	318,076	Level 1	• Quoted bid prices in an active market.	N/A	N/A
Fund						
– ETF	30,144	27,561	Level 1	• Quoted bid prices in an active market.	N/A	N/A
3) Available-for-sale financial asset						
Debt securities						
– Traded on stock exchanges	7,522,057	4,998,180	Level 1	• Quoted bid prices in an active market	N/A	N/A
– Traded on inter-bank market	412,479	518,918	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.	N/A	N/A
Equity Securities						
– Listed outside HK	27,450	33,906	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Restricted shares	362,943	349,440	Level 3	• Discounted cash flows. The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Discount for lack of marketability	The higher the discount, the lower the fair value.
Funds						
– ETF	11,684	7,556	Level 1	• Quoted bid prices in an active market.	N/A	N/A

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56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

56.2 Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Company (Continued)

Financial assets/financial liabilities	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Relationship of	
	2013	2012			Significant unobservable inputs (s)	unobservable input to fair value
3) Available-for-sale financial asset (Continued)						
Other investments						
– Collective asset management plans issued by financial institutions	255,197	198,684	Level 2	• Calculated based on the fair value of the underlying investments which are debt securities with quoted bid price and publicly traded equity investments listed in Hong Kong and the PRC in each portfolio.	N/A	N/A
– Wealth management products issued by financial institutions	709,500	–	Level 2	• Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in Hong Kong and the PRC in each portfolio.	N/A	N/A
– Targeted asset management plans	163,546	101,842	Level 3	• Calculated based on the fair value of the underlying investments which invest in listed shares with lock up period in which the fair value is determined by reference to the quoted bid price of the listed shares with an adjustment of discount for lack of marketability.	Discount for lack of marketability	The higher the lower the fair value
4) Derivative financial instruments						
Equity Return Swaps – assets	2,281	–	Level 2	• Calculated based on the difference between the equity return of underlying equity securities calculated based on quoted price from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty.	N/A	N/A
Equity Return Swaps – liabilities	(7,883)	–	Level 2	• Calculated based on the difference between the equity return of underlying equity securities calculated based on quoted price from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty.	N/A	N/A
Stock index futures (Note)	821	(28,972)	Level 1	• Quoted bid prices in an active market	N/A	N/A

Note: Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's and company's position in stock index futures were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 31 December 2013 and 2012. Accordingly, the net position of the stock index futures contracts was nil at the end of each reporting period. The above analysis only presents the fair value of derivative financial instruments.

The fair value of the financial assets and financial liabilities included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the future cash flows and discount rates that reflect the credit risk of counterparties.



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56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

56.2 Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Group

	As at 31 December 2013			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
– Equity securities				
Financial services	10,696	–	–	10,696
Manufacturing	8,163	–	141,583	149,746
Construction	439	–	221,360	221,799
Others	8,152	–	–	8,152
– Debt securities				
Corporate bonds	7,466,011	412,479	–	7,878,490
Government bonds	56,046	–	–	56,046
– Funds	11,684	–	–	11,684
– Other investments				
Collective asset management plans	–	285,523	–	285,523
Wealth Management Products	–	709,500	–	709,500
Targeted asset management plans	–	–	163,546	163,546
	7,561,191	1,407,502	526,489	9,495,182
Financial assets held for trading				
– Equity securities				
Manufacturing	19,638	–	–	19,638
Financial services	30,876	–	–	30,876
Transportation, storage and postal service	586	–	–	586
Wholesale and retail	486	–	–	486
Mining	1,632	–	–	1,632
Construction	446	–	–	446
Real Estate	1,845	–	–	1,845
Social Services	64,842	–	–	64,842
Others	6,933	–	–	6,933
– Debt securities				
Corporate bonds	864,048	2,175,319	–	3,039,367
Financial bonds	–	229,642	–	229,642
– Funds				
Money market funds	1,400,000	–	–	1,400,000
ETF	193,413	–	–	193,413
Open-ended mutual funds	1,568	–	–	1,568
– Other investments				
Collective asset management plans	–	36,047	–	36,047
	2,586,313	2,441,008	–	5,027,321

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56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

56.2 Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Group (Continued)

	As at 31 December 2013			
	Level 1	Level 2	Level 3	Total
Financial assets designated as at fair value through profit or loss				
– Equity securities				
Financial services	101,245	–	–	101,245
Manufacturing	96,230	–	–	96,230
Mining	19,533	–	–	19,533
Real Estate	14,142	–	–	14,142
Transportation, storage and postal service	7,373	–	–	7,373
Wholesale and retail	9,318	–	–	9,318
Others	35,679	–	–	35,679
– Debt securities				
Corporate bonds	484,009	–	–	484,009
Financial bonds	144,833	–	–	144,833
– Funds	30,144	–	–	30,144
	942,506	–	–	942,506
Derivative financial instruments				
– Equity Return Swaps – assets	–	2,281	–	2,281
– Equity Return Swaps – liabilities	–	(7,883)	–	(7,883)
– Stock index futures	821	–	–	821
	821	(5,602)	–	(4,781)



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56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

56.2 Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Group (Continued)

	As at 31 December 2012			Total
	Level 1	Level 2	Level 3	
Available-for-sale financial assets				
– Equity securities				
Financial services	12,259	–	349,440	361,699
Manufacturing	9,414	–	–	9,414
Others	12,233	–	–	12,233
– Debt securities				
Corporate bonds	4,998,180	518,918	–	5,517,098
– Funds	7,556	–	–	7,556
– Other investments				
Collective asset management plans	–	198,684	–	198,684
Targeted asset management plans	–	–	101,842	101,842
	5,039,642	717,602	451,282	6,208,526
Financial assets held for trading				
– Equity securities				
Manufacturing	10,242	–	–	10,242
Financial services	5,358	–	–	5,358
Transportation, storage and postal service	195	–	–	195
Wholesale and retail	802	–	–	802
Mining	580	–	–	580
Construction	1,031	–	–	1,031
Real Estate	787	–	–	787
Social Services	15	–	–	15
Others	1,846	–	–	1,846
– Debt securities				
Corporate bonds	236,385	3,105,153	–	3,341,538
Government bonds	4,982	–	–	4,982
– Funds	1,060,269	–	–	1,060,269
Money market funds	900,082	–	–	900,082
ETF	132,026	–	–	132,026
Open-ended mutual funds	28,161	–	–	28,161
– Other investments				
Collective asset management plans	–	194,376	–	194,376
	1,322,492	3,299,529	–	4,622,021

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56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

56.2 Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Group (Continued)

	As at 31 December 2012			Total
	Level 1	Level 2	Level 3	
Financial assets designated as at fair value through profit or loss				
– Equity securities				
Financial services	106,974	–	–	106,974
Manufacturing	106,235	–	–	106,235
Mining	33,587	–	–	33,587
Real Estate	18,980	–	–	18,980
Transportation, storage and postal service	8,965	–	–	8,965
Wholesale and retail	7,184	–	–	7,184
Others	36,151	–	–	36,151
– Debt securities				
Corporate bonds	125,107	–	–	125,107
Financial bonds	360,293	–	–	360,293
– Funds	27,561	–	–	27,561
	831,037	–	–	831,037
Derivative financial instruments				
– Stock index futures	(28,972)	–	–	(28,972)
	(28,972)	–	–	(28,972)



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56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

56.2 Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Company

	As at 31 December 2013			Total
	Level 1	Level 2	Level 3	
Available-for-sale financial assets				
– Equity securities				
Financial services	10,696	–	–	10,696
Manufacturing	8,163	–	141,583	149,746
Construction	439	–	221,360	221,799
Others	8,152	–	–	8,152
– Debt securities				
Corporate bonds	7,466,011	412,479	–	7,878,490
Government bonds	56,046	–	–	56,046
– Funds	11,684	–	–	11,684
– Other investments				
Collective asset management plans	–	255,197	–	255,197
Targeted asset management plans	–	–	163,546	163,546
	7,561,191	667,676	526,489	8,755,356
Financial assets held for trading				
– Equity securities				
Manufacturing	19,638	–	–	19,638
Financial services	30,876	–	–	30,876
Transportation, storage and postal service	586	–	–	586
Wholesale and retail	486	–	–	486
Mining	1,632	–	–	1,632
Construction	446	–	–	446
Real Estate	1,845	–	–	1,845
Social Services	64,842	–	–	64,842
Others	6,933	–	–	6,933
– Debt securities				
Corporate bonds	864,048	2,175,319	–	3,039,367
Financial bonds	–	229,642	–	229,642
– Funds				
Money market funds	1,400,000	–	–	1,400,000
ETF	193,413	–	–	193,413
Open-ended mutual funds	1,568	–	–	1,568
	2,586,313	2,404,961	–	4,991,274

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56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

56.2 Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Company (Continued)

	As at 31 December 2013			Total
	Level 1	Level 2	Level 3	
Financial assets designated as at fair value through profit or loss				
– Equity securities				
Financial services	101,245	–	–	101,245
Manufacturing	96,230	–	–	96,230
Mining	19,533	–	–	19,533
Real Estate	14,142	–	–	14,142
Transportation, storage and postal service	7,373	–	–	7,373
Wholesale and retail	9,318	–	–	9,318
Others	35,679	–	–	35,679
– Debt securities				
Corporate bonds	484,009	–	–	484,009
Financial bonds	144,833	–	–	144,833
– Funds	30,144	–	–	30,144
	942,506	–	–	942,506
Derivative financial instruments				
– Equity Return Swaps – assets	–	2,281	–	2,281
– Equity Return Swaps – liabilities	–	(7,883)	–	(7,883)
– Stock index futures	821	–	–	821
	821	(5,602)	–	(4,781)



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56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

56.2 Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Company (Continued)

	As at 31 December 2012			Total
	Level 1	Level 2	Level 3	
Available-for-sale financial assets				
– Equity securities				
Financial services	12,259	–	349,440	361,699
Manufacturing	9,414	–	–	9,414
Others	12,233	–	–	12,233
– Debt securities				
Corporate bonds	4,998,180	518,918	–	5,517,098
– Funds	7,556	–	–	7,556
– Other investments				
Collective asset management plans	–	198,684	–	198,684
Targeted asset management plans	–	–	101,842	101,842
	5,039,642	717,602	451,282	6,208,526
Financial assets held for trading				
– Equity securities				
Manufacturing	10,242	–	–	10,242
Financial services	5,358	–	–	5,358
Transportation, storage and postal service	195	–	–	195
Wholesale and retail	802	–	–	802
Mining	580	–	–	580
Construction	1,031	–	–	1,031
Real Estate	787	–	–	787
Social Services	15	–	–	15
Others	1,846	–	–	1,846
– Debt securities				
Corporate bonds	236,385	3,105,153	–	3,341,538
Government bonds	4,982	–	–	4,982
– Funds	1,060,269	–	–	1,060,269
Money market funds	900,082	–	–	900,082
ETF	132,026	–	–	132,026
Open-ended mutual funds	28,161	–	–	28,161
	1,322,492	3,105,153	–	4,427,645

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56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

56.2 Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Company (Continued)

	As at 31 December 2012			Total
	Level 1	Level 2	Level 3	
Financial assets designated as at fair value through profit or loss				
– Equity securities				
Financial services	106,974	–	–	106,974
Manufacturing	106,235	–	–	106,235
Mining	33,587	–	–	33,587
Real Estate	18,980	–	–	18,980
Transportation, storage and postal service	8,965	–	–	8,965
Wholesale and retail	7,184	–	–	7,184
Others	36,151	–	–	36,151
– Debt securities				
Corporate bonds	125,107	–	–	125,107
Financial bonds	360,293	–	–	360,293
– Funds	27,561	–	–	27,561
	831,037	–	–	831,037
Derivative financial instruments				
– Stock index futures	(28,972)	–	–	(28,972)
	(28,972)	–	–	(28,972)



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56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

56.3 Reconciliation of Level 3 fair value measurements

Group and Company

	Available-for-sale financial assets
At 1 January 2013	451,282
Total gains/losses	
– Profit or loss	–
– Other comprehensive income	139,528
Purchases	502,415
Transfers out of level 3	(566,736)
As at 31 December 2013	526,489
Total gains for the year for assets/liabilities held as at 31 December 2013	
– dividends included in investment income	338

Group and Company

	Available-for-sale financial assets
At 1 January 2012	–
Total gains/losses	
– Profit or loss	–
– Other comprehensive income	44,742
Purchases	406,540
Transfer out of level 3	–
As at 31 December 2012	451,282
Total gains for the year for assets/liabilities held as at 31 December 2012	
– dividends included in investment income	–

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57. MATURITY PROFILE OF ASSETS AND LIABILITIES

An analysis of the maturity profile of certain assets and liabilities of the Group as at 31 December 2013 and 2012 based on the remaining contractual maturity is as follows:

As at 31 December 2013	Repayable on demand	Less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
Assets					
Advances to customers	–	18,392,778	–	–	18,392,778
Loan investment	–	90,000	–	–	90,000
Financial assets held under resale agreements	–	1,087,393	196,445	–	1,283,838
Debt securities classified as:					
Available-for-sale financial assets	–	1,205,949	2,743,191	5,136,065	9,085,205
Financial assets held for trading	–	258,390	2,073,585	937,034	3,269,009
Financial assets designated as at fair value through profit or loss	–	–	604,385	24,457	628,842
Deposits with exchanges and a non-bank financial institution	2,840,742	–	–	–	2,840,742
Clearing settlement funds	4,373,917	–	–	–	4,373,917
Bank balances	28,479,842	4,603,856	–	–	33,083,698
	35,694,501	25,638,366	5,617,606	6,097,556	73,048,029
Liabilities					
Subordinated bonds	–	4,000,000	–	–	4,000,000
Due to banks and a non-bank financial institution	–	592,687	–	–	592,687
Accounts payable to brokerage clients	36,451,282	–	–	–	36,451,282
Financial assets sold under repurchase agreements	–	8,898,387	–	–	8,898,387
	36,451,282	13,491,074	–	–	49,942,356



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(Amounts in thousands of Renminbi, unless otherwise stated)

57. MATURITY PROFILE OF ASSETS AND LIABILITIES (Continued)

As at 31 December 2012	Repayable on demand	Less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
Assets					
Advances to customers	–	5,438,668	–	–	5,438,668
Financial assets held under resale agreements	–	809,523	–	–	809,523
Debt securities classified as:					
Available-for-sale financial assets	–	108,181	1,963,869	3,745,574	5,817,624
Financial assets held for trading	–	219,358	1,703,490	1,618,048	3,540,896
Financial assets designated as at fair value through profit or loss	–	–	454,664	30,736	485,400
Deposits with exchanges and a non-bank financial institution	2,614,323	–	–	–	2,614,323
Clearing settlement funds	4,541,475	–	–	–	4,541,475
Bank balances	36,607,005	–	–	–	36,607,005
	43,762,803	6,575,730	4,122,023	5,394,358	59,854,914
Liabilities					
Due to banks and a non-bank financial institution	–	318,858	–	–	318,858
Accounts payable to brokerage clients	39,745,629	–	–	–	39,745,629
Financial assets sold under repurchase agreements	–	5,183,436	–	–	5,183,436
	39,745,629	5,502,294	–	–	45,247,923

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(Amounts in thousands of Renminbi, unless otherwise stated)

58. OUTSTANDING LITIGATIONS

As at 31 December 2013, the Group is involved as defendant in certain lawsuits arising from normal business operations in which a provision of RMB 17.00 million was made (31 December 2012: RMB 18.90 million) by the Company based on the court rulings or advices from legal counsel. The directors of the Company are of the opinion the final court judgment will not have a significant impact on the Group's financial position or operations.

59. SUBSEQUENT EVENTS

1. In the Board of Directors' meeting of the Company held on 26 March 2014, a board resolution was passed, pursuant to which the Company proposed a cash dividend of RMB0.62 per 10 shares (inclusive of tax), or a total of RMB467,310,042.93, based on a total of 7,537,258,757 shares in issue as at 31 December 2013. The proposed profit distribution plan for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.
2. The Company received the "Reply letter in relation to the approval for the issue of subordinated bonds by China Galaxy Securities Co., Ltd." (CSRC Xu Ke [2013] No.974) issued by the CSRC on 25 July 2013, which approved the issue of subordinated bonds by the Company, amounting to RMB 12.00 billion in total. The first tranche must be issued within six months from the date of approval and the subsequent tranche to be issued within 24 months from the date of approval. On 13 January 2014, the Company issued the first tranche of subordinated bonds in 2014 for RMB 510.00 million, with a term of 182 days and a coupon rate of 6.85%.
3. Pursuant to the Board of Directors' meeting on 26 March 2014, the Company passed a board resolution to increase the share capital of China Galaxy International Financial Holdings Company Limited by HKD400 million to HKD 1 billion. This additional capital contribution will allow China Galaxy International Financial Holdings Company Limited to further strengthen its financial position to support its business development.

Other than those disclosed above, the Group had no material events for disclosure subsequent to 31 December 2013 and up to the issue date of these consolidated financial statements.

60. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.

