



中国银河证券股份有限公司

CHINA GALAXY SECURITIES CO., LTD.

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

Stock Code: 06881

Annual Report
2015





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DEFINITIONS

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

“A Share(s)”	the shares that is (are) traded on the Shanghai Stock Exchange or the Shenzhen Stock Exchange in Renminbi
“Article of Association”	the articles of association of the Company (as amended from time to time)
“Board” or “Board of Directors”	the Board of Directors of the Company
“bp”	unit of measurement for the change in interest rate of bonds and notes, one bp equals to 1% of a percentage point
“CG Code”	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
“Company”	China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司), a joint stock limited company incorporated in the PRC on 26 January 2007, whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 06881)
“Company Law”	the Company Law of the People’s Republic of China
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Directors”	directors of the Company
“Domestic Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is(are) subscribed for or credited as fully paid in RMB
“End of the Reporting Period”	31 December 2015
“ETF”	exchange-traded funds
“Futures IB Business”	the business activities in which securities firms, as commissioned by futures companies, introduce clients to futures companies to provide futures brokerage and other related services
“Galaxy Capital”	Galaxy Capital Management Company Limited (銀河創新資本管理有限公司), in which the Company holds an equity interest of 100%
“Galaxy Derivative”	Galaxy Derivative Financial Service Co., Ltd. (銀河德睿資本管理有限公司), whose equity interest is held as to 70% and 30% by Galaxy Futures and Galaxy Financial Holdings, respectively
“Galaxy Financial Holdings”	China Galaxy Financial Holdings Limited (中國銀河金融控股有限責任公司), the controlling shareholder of the Company
“Galaxy Fund Management”	Galaxy Fund Management Company Limited (銀河基金管理有限公司), in which Galaxy Financial Holdings holds an equity interest of 50%
“Galaxy Futures”	Galaxy Futures Company Limited (銀河期貨有限公司), in which the Company holds an equity interest of approximately 83.32%
“Galaxy International Holdings”	China Galaxy International Financial Holdings Company Limited (中國銀河國際金融控股有限公司), in which the Company holds an equity interest of 100%



DEFINITIONS

“Galaxy Investment”	China Galaxy Investment Management Company Limited (中國銀河投資管理有限公司)
“Galaxy Jinhui”	Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金匯證券資產管理有限公司), whose 100% equity is held by the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares in the share capital of the Company with a nominal value of RMB1.00 each, which is(are) listed on the Hong Kong Stock Exchange and are subscribed for and traded in HK dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huijin”	Central Huijin Investment Ltd. (中央滙金投資有限責任公司), which currently holds a 78.57% equity interest of Galaxy Financial Holdings
“IPO”	Initial Public Offering
“Listing Date”	the date on which the Company’s H Shares were listed on the Hong Kong Stock Exchange, being 22 May 2013
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
“margin and securities refinancing”	a business in which securities firms can act as intermediaries to borrow funds or securities from the China Securities Finance Co., Ltd. and lend such funds and securities to their clients
“Market Share”	the market share
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Companies set out in the Appendix 10 to the Listing Rules
“New OTC Board”	National Equities Exchange and Quotations for medium and small-sized enterprises
“PRC” or “China”	the People’s Republic of China, and for the purposes of this annual report, excluding Hong Kong, Macau Special Administrative Region and Taiwan region
“QDII”	Qualified Domestic Institutional Investor
“QFII”	Qualified Foreign Institutional Investor
“Reporting Period”	the period from 1 January 2015 to 31 December 2015



DEFINITIONS

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

Notes:

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



CHAIRMAN'S STATEMENT



Dear shareholders,

In 2015, the Chinese capital market fluctuated violently. The Company insisted in prudent operation principle and achieved better operating performance under collective efforts of all employees of the Company. Total revenue and other income was RMB33.759 billion. The net profit attributable to shareholders of the Company was RMB9.836 billion, an increase of 159.36% and 160.84%, respectively, compared to that in 2014, and the weighted average return on net assets was 21.33%. During this year, the Company successfully completed the placing of 2 billion H shares, which promptly funded for its business development. Next session of the Board and the special committees was elected and completed handed-over work smoothly. Meanwhile, the Company kept deepening market-oriented reform, optimizing risk management system and establishing a comprehensive risk control system so as to secure the implementation of strategy and business transformation of the Company. In 2015, the Company obtained the qualification for option settlement and quotation for debt financing instruments of non-financial corporations, which further extended its business.

2016 is the last year of the Company's current five-year strategic plan, as well as the first year of the next one. The Company will adapt to the change in regulatory system. Through active reform and structure adjustment, the Company will enjoy benefits and achieve breakthroughs in internationalization. In such regard, the Company will insist in legal operation and safeguard the bottom line while further advancing the process of listing of A Shares to keep strengthening its capital. The Company will make innovative reform, continuously optimize governance mechanism and increase its core competitiveness in order to create better value for the shareholders.

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

Chen Youan
Chairman

24 March 2016



SECTION I IMPORTANT NOTES

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

This report has been approved at the 11th meeting of the 3rd session of the Board of Directors, with 10 directors attended and voted at the meeting. Mr. Chi Fulin (director) cannot attend the meeting and authorized Mr. Liu Feng in writing to attend the meeting and vote at the meeting on behalf of him. No objection was put forward by Directors and Supervisors for this report.

The financial report for 2015 was prepared by the Company according to International Financial Reporting Standards (“IFRS”) and PRC Corporate Accounting Standards (“PRC GAAP”), which has been audited by Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP and they have issued auditors’ report with unqualified opinions. Unless otherwise stated, the amounts in this report are presented in RMB.

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

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



SECTION II SIGNIFICANT RISK WARNINGS

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

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

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



SECTION III COMPANY PROFILE

I. COMPANY PROFILE

1. Name of the Company

Registered Chinese Name: 中國銀河證券股份有限公司

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

2. Legal Representative: Chen Youan

General Manager (President): Gu Weiguo

3. Registered Capital: RMB9.537 billion

Net Capital: RMB60.638 billion

4. Qualification of individual business

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



SECTION III COMPANY PROFILE

- (16) Qualification for engagement in targeted asset management business (transferred to Galaxy Jinhui)
- (17) Qualification for engagement in collective asset management business (transferred to Galaxy Jinhui)
- (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 business trials
- (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 (transferred to Galaxy Jinhui)



SECTION III COMPANY PROFILE

- (40) Qualification for engagement in comprehensive custody business of private fund on a pilot basis
- (41) Qualification for chief agency broker in national share transfer system
- (42) Qualification for participation in interest swap transactions
- (43) Authorities for dealer-quoted securities repurchase transactions (approved by the SSE)
- (44) Authorities for dealer-quoted securities repurchase transactions (approved by the SZSE)
- (45) Authorities for dealer-quoted repurchase transactions
- (46) Qualification for digital certificate authentication as agency
- (47) Qualification for engagement in relevant businesses at Zhejiang Equities Exchange Centre
- (48) Qualification for margin and securities refinancing on a pilot basis
- (49) Qualification for securities-based repurchase transactions on a pilot basis (approved by the SSE)
- (50) Qualification for pilot of consumption payment service of client securities capital
- (51) Qualification of concurrent-business insurance agency
- (52) Qualification for pilot of Internet securities business
- (53) Qualification for participation in simulated options trading by self-owned business (Approved by SSE)
- (54) Qualification for pilot of OTC income receipt business
- (55) Qualification of securities investment fund custody
- (56) Qualification of market making business of the nationwide shares transfer system
- (57) Authorization for Hong Kong Stock Connect business transaction
- (58) Qualification of gold spot contract agency business
- (59) Membership of Shanghai Gold Exchange
- (60) Qualification of participant of quotation and service system for inter-institutional private equity products
- (61) Qualification of stock options trading participant on the SSE
- (62) Qualification for options settlement business
- (63) Innovation Plan of opening account through WeChat



SECTION III COMPANY PROFILE

- (64) Qualification for quotation business of debt financing instruments for non-financial corporations
- (65) Qualification of member of Asset Management Association of China
- (66) Qualification of member of China Futures Association
- (67) Qualification of member of Insurance Asset Management Association of China
- (68) Qualification of record as outsourcing services institution of private investment funds business.

5. Headquarters in the PRC

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

6. Principal Place of Business in Hong Kong

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

7. Secretary to the Board

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

8. Joint Company Secretaries

Wu Chengming, Mok Ming Wai

9. Authorized Representatives

Wu Chengming, Mok Ming Wai

10. Statutory auditors engaged by the Company

Domestic accounting firm: Deloitte Touche Tohmatsu Certified Public Accountants LLP

International accounting firm: Deloitte Touche Tohmatsu

11. Listing of H shares: Hong Kong Stock Exchange

Stock code: 6881



SECTION III COMPANY PROFILE

II. HISTORY

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

According to the restructuring proposal approved by the State Council and relevant replies from CSRC, China Galaxy Securities Co., Ltd. acquired the securities brokerage business, investment banking business and related assets from China Galaxy Securities Limited Liability Company. 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. China Galaxy Securities Limited Liability Company is renamed as “China Galaxy Investment Management Company Limited” and ceased to engage in securities business.

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

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

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

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

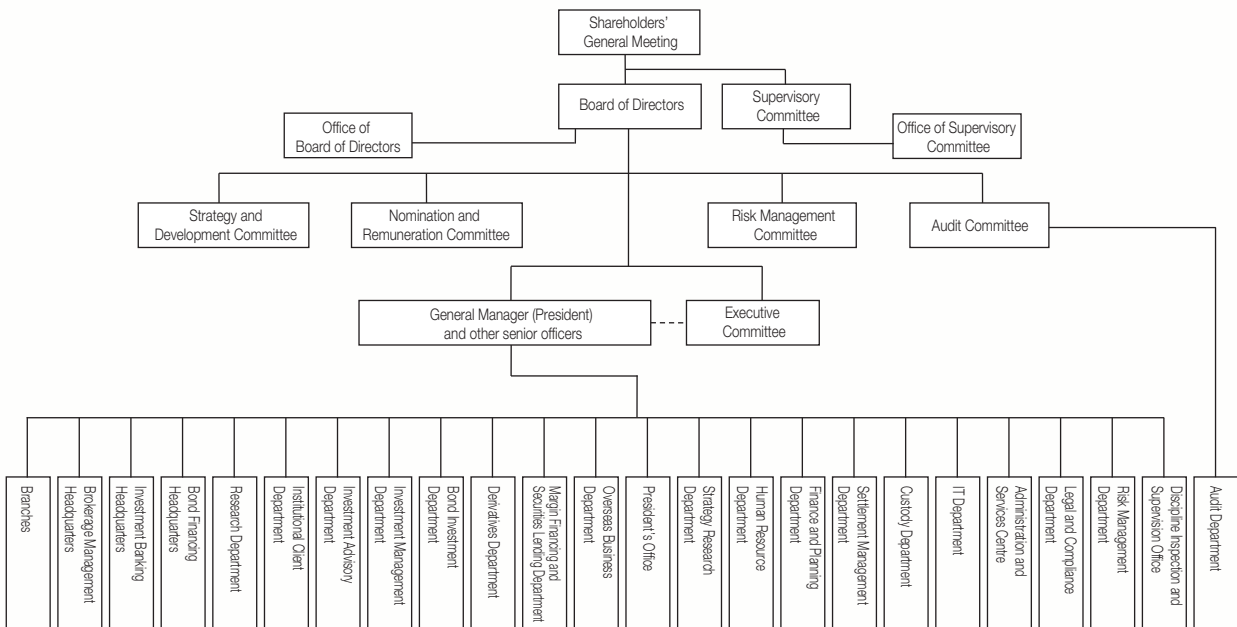
On 5 May 2015, the Company completed its placing of an aggregate of 2,000,000,000 H shares and the total issued share capital of the Company has increased to RMB9,537 million.



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



Note: The Company has established the headquarter for the New OTC Board business and the Internet Finance Department during the Reporting Period.



SECTION III COMPANY PROFILE

IV NUMBERS AND DISTRIBUTION OF SECURITIES BRANCHES

The Company has 356 securities branches, which are distributed in 31 provinces, autonomous regions and municipalities directly under the central government in the PRC. Among these branches, 66 are located in Guangdong Province, 47 in Zhejiang Province, 33 in Shanghai, 19 in Jiangsu Province, 17 in Shanxi Province, 15 in Beijing, 15 in Liaoning Province, 14 in Hubei Province, 13 in Shandong Province, 12 in Sichuan Province, 12 in Fujian Province, 10 in Anhui Province, 9 in Chongqing, 8 in Hebei Province, 8 in Henan Province, 8 in Yunan Province, 6 in Jiangxi Province, 5 in Hunan Province, 5 in Shaanxi Province, 5 in Guangxi Zhuang Autonomous Region, 4 in Tianjin, 4 in Heilongjiang Province, 3 in Qinghai Province, 3 in Inner Mongolia Autonomous Region, 3 in Jilin Province, 3 in Xinjiang Uygur Autonomous Region, 2 in Gansu Province, 2 in Hainan Province, 2 in Guizhou Province, 2 in Ningxia Hui Autonomous Region and 1 in Tibet Autonomous Region. The details of our securities branches are set out in the following table.

No.	Securities Branches	Address	Person In Charge
1	Dongguan Dongcheng Avenue Securities Branch	The 2nd Floor, Main Building of Jinze Garden, Dongcheng Avenue, Dongcheng District, Dongguan City	Zeng Jun
2	Foshan Securities Branch	No. 2, Renmin West Road, Shancheng District, Foshan City, Guangdong Province	Wu Hui
3	Foshan Nanhai Guiping West Street Securities Branch	2nd Floor, Building D, Lujing Residence, Lujing District, No.2, Guicheng Guiping West Road, Nanhai District, Foshan City, Guangdong Province	Zheng Jincheng
4	Foshan Shunde Daliang Securities Branch	Zone A, Floor 4, Xindeye Business Center, Jincheng Garden, No. 11 Dongle Road, Yun Road, Shunde District, Foshan City	Tian Dongmei
5	Foshan Shunde Lecong Securities Branch	The 2nd to 4th Floor, Xinfeng Building, No. B33, Yuejin Road, Lecong Town, Shunde District, Foshan City, Guangdong Province	Qi Xixia
6	Foshan Shunde Ronggui Securities Branch	No.19-26, Shoucengpu, Block C, Happiness Garden, Middle Guizhou Street, Happiness Neighborhood Committee, Ronggui Street Office, Shunde District, Foshan City, Guangdong Province	Shao Xinglu
7	Jiangmen Donghai Street Securities Branch	Room 501 (Self-numbered: B510-B513, C502-C503), No. 48, Donghai Road, Jianghai East District, Jiangmen City, Guangdong Province	Yang Jie
8	Guangzhou Dongfeng West Street Securities Branch	Room 101, 202, 502 and 504, Educational Academic Center Building A, Guangzhou Medical School, No.195, Dongfeng West Road, Yuexiu District, Guangzhou City	Zhang Haifang



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No.	Securities Branches	Address	Person In Charge
9	Guangzhou Panyu South Street Securities Branch	No. 65, 301 and 302, South Road, Panyu District, Guangzhou City, Guangzhou Province	Liang Jian
10	Guangzhou Huanshi East Road Securities Branch	No. 336, 3/F, Huanshi East Road, Yuexiu District, Guangzhou City	Xu Bier
11	Guangzhou Tianhe North Street Securities Branch	Part of the 1st, 2nd and 3rd Floor, Guanghua Building, No. 90-108, Tianhe North Road, Tianhe District, Guangzhou City, Guangdong Province	Li Kunxing
12	Guangzhou Zhongshan 2nd Street Securities Branch	O Unit 1/F and 203-213 Unit 2/F, Dianxin Square, No. 18, Zhongshan 2nd Road, Yuexiu District, Guangzhou City, Guangdong Province	Pan Xiang
13	Huizhou Wenming 1st Street Securities Branch	908-912 Unit, Floor 9, Fushen Building, No. 9, Jiangbei Wenming Road, Huicheng District, Huizhou City	Li Zhihong
14	Jieyang Wangjiang North Street Securities Branch	No.16, The 1st and 2nd Floor, Hemeiyuan Wangjiang North Road, Rongcheng District, Jieyang City, Guangdong Province	Yuan Songsheng
15	Guangzhou Linjiang Street Securities Branch	Bihaiwan Business Annex Building D, No. 39, Linjiang Avenue, Zhujiang New City, Tianhe District, Guangzhou City	Rao Jie
16	Shantou Chaoyang Securities Branch	No. 36, Dongshan Street, Chaoyang District, Shantou City, Guangdong Province	Cai Baodong
17	Shantou Chenghai Securities Branch	Floors 1 to 4, Jingtai Plaza, Block C21, Huijing Garden, Chenghai District, Shantou City	Chen Chengtong
18	Shantou Hanjiang Street Securities Branch	No.1, Hanjiang Road, Shantou City, Guangdong Province	Ma Weiyi
19	Shantou Jinsha Road Securities Branch	Floor 10, No. 97, Jinsha Road, Shantou City, Guangdong Province	Huang Shaoyong
20	Shantou Songshan Road Securities Branch	No. 89, Songshan Road, Shantou, Guangdong Province	Wu Hong
21	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



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
22	Zhongshan Guzhen Securities Branch	The 1st and 2nd Floor, No.17 and 18, Dengdu New Field C District, Sports Road, Guzhen Town, Zhongshan City, Guangdong Province	Kuang Luqian
23	Zhongshan Huangpu Xinfeng North Road Securities Branch	Shop 02, 03, 09, 10, 11, Block 3, Building 7 Lantian Jindi Garden, No. 63 Xinfeng North Road, Huangpu Town, Zhongshan City, Guangdong Province	Yang Xinsheng
24	Zhongshan Xiaolan Zijin East Road Securities Branch	B Unit, 2/F, No. 70 Xiaolan Zijin East Road, Zhongshan City, Guangdong Province	Wei Dan
25	Zhongshan Securities Branch	No. 52, Sunwendong East Road, Shiqi District, Zhongshan City, Guangdong Province	Ruan Lianghui
26	Zhuhai Jingshan Street Securities Branch	The 7th and 11th Floor, Tong Xin Building, No.173, Jingshan Avenue, Xiangzhou District, Zhuhai City, Guangdong Province	Miao Di
27	Nanjing Longpan Middle Road Securities Branch	Floor 2, Jincheng Technology Building, 216 Longpan Middle Road, Baixia District, Nanjing City, Jiangsu Province	Hu Kaitao
28	Nanjing Hongwu Road Securities Branch	Room 104, Room 203-207, Floor 2, Room 304-307, Floor 3, Hongwu Road, Qinhuai District, Nanjing City, Jiangsu Province	Zhang Jun
29	Nanjing Nanrui Road Securities Branch	Building 19, Wuyueyiyuan, 79 Nanrui Road, Gulou District, Nanjing City, Jiangsu Province	Liang Shu
30	Nanjing Shanghai Road Securities Branch	No.145, Shanghai Road, Gulou District, Nanjing City, Jiangsu Province	Cao Anming
31	Nanjing Jiangdong Middle Road Securities Branch	Room 301, No. 201, Room 301, No. 203, Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu Province	Zhuang Haijun
32	Suzhou Sanxiang Road Securities Branch	No. 718, Sanxiang Road, Suzhou City, Jiangsu Province	Qian Chun
33	Yangzhou Wenchang Middle Road Securities Branch	No. 561, Wenchang Middle Road, Yangzhou City, Jiangsu Province	Ji Chunlei
34	Zhenjiang Huangshan South Road Securities Branch	Floor 11, 20 Huangshan South Road, Zhenjiang City, Jiangsu Province	Zhong Sheng



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
35	Wuhan Zhuankou Ningkang Street Securities Branch	No. 262-267, Shenlong Commercial Street, No. 69 Ningkang Road, Wuhan Economical and technical development Zone, Hubei City	Dai Dongchen
36	Wuhan Hanyang Street Securities Branch	Floor 2, Jinlong Garden No. 11, No. 642, Hanyang Street, Wuhan City	Zhang Baohe
37	Jingmen Securities Branch	No.118, Xiangshan Street, Jingmen City, Hubei Province	Wang Wei
38	Shayang Hanjin Street Securities Branch	No. 53, Hanjin Road, Shayang County, Hubei Province	Ye Jun
39	Wuhan Aomen Street Securities Branch	No.123 (Aomen Yinzuo Phase 2), Aomen Road, Jiangnan District, Wuhan City, Hubei Province	Dong Lintao
40	Wuhan Hanyang Securities Branch	No. 155, Hanyang Yingwu Street, Wuhan City, Hubei Province	Hu Junlin
41	Wuhan Xinhua Road Securities Branch	IFC, No. 269, Xinhua Road, Jiangnan District, Wuhan City	Lu Gang
42	Wuhan Jiyuqiao Securities Branch	Yuqiao New Building, No. 6 and 7 Annex Building, Jiyuqiao, Wuchang District, Wuhan City, Hubei Province	Zhang Qing
43	Wuhan Wuluo Street Securities Branch	No. 382, Wuluo Road, Wuhan City, Hubei Province	Zuo Gang
44	Wuhan Zhongnan Road Securities Branch	No.456 (New Era Business Center), Wuluo Road, Zhongnan Road, Wuchang District, Wuhan City, Hubei Province	Zhang Zhiqiang
45	Xiangyang Securities Branch	No. 31, Daiqing West Road, Fancheng District, Xiangyang City, Hubei Province	Yu Rongyan
46	Yichang New Century Securities Branch	No. 21, Yunji Road, Yichang City, Hubei Province	Gong Aiming
47	Zaoyang Xiangyang Street Securities Branch	No.16, Xiangyang Road, Zaoyang city, Hubei Province	Yuan Guanghui
48	Shenyang Beizhan Road Securities Branch	59 Beizhan Road, Shenhe District, Shenyang City, Liaoning Province	Hu Yingxin
49	Shenyang Jianshe East Road Securities Branch	Door 3, No. 76, Jianshe East Road, Tiexi District, Shenyang City	Xu Shan
50	Shenyang Sanhao Street Securities Branch	No. 6, 7, 4A, Wenti Road, Heping District, Shenyang City	Liu Dayong



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
51	Shenyang Dabeiguan Street Securities Branch	Floor 1-2, Unit 2, 40 Dabeiguan Street, Dadong District, Shenyang City, Liaoning Province	Wang Fu
52	Shenyang Sanjing Street Securities Branch	1-3/F, No. 95, Sanjing Street, South of Shenhe District, Shenyang City	Wen Jiuyu
53	Hohhot Daxue West Street Securities Branch	No.110, Daxue West Street, Hohhot City, Inner Mongolia Autonomous Region	Liu Xinyu
54	Hohhot Xinhua East Street Securities Branch	No.78, Xinhua East Street, Saihan District, Hohhot City, Inner Mongolia Autonomous Region	He Jing
55	Ningbo Cuibai Street Securities Branch	No. 416, Cuibai Road, Jiangbei District, Ningbo city	Liu Bo
56	Ningbo Daqing South Street Securities Branch	No. 6, Daqing South Road, Jiangbei District, Ningbo city	Teng Kezhi
57	Ningbo Dashani Street Securities Branch	Building Fumao, No. 88, Dashani Road, Haishu District, Ningbo City, Zhejiang Province	Shi Minwei
58	Ningbo Jiefang South Street Securities Branch	No.15, Jiefang South Road, Haishu District, Ningbo city, Zhejiang Province	Wang Yunguo
59	Jinan Jingqi Street Securities Branch	No. 83, Jingqi Road, Jinan City, Shandong Province	Wu Yunpeng
60	Weifang Fushou West Securities Branch	No. 83, Fuzhou West Road, Weicheng District City, Weifang City, Shandong Province	Zhong Jian
61	Yantai Securities Branch	No.175, Xinanhe Road, Yantai City, Shandong Province	Zhang Huasheng
62	Zibo Linzi Street Securities Branch	No. 698, Linzi Street, Linzi District, Zibo City Shandong Province	Wu Tao
63	Hongdong Chezhan Street Securities Branch	Chezhan Street, Hongdong County, Shanxi Province	Cui Jinhui
64	Houma Kuaibin Street Securities Branch	No.7, Kuaibin Street, Houma City, Shanxi Province (former Zhong Hang Building)	Wang Quanrui
65	Huozhou Kaiyuan Street Securities Branch	No.A3-6, Kaiyuanshengdian, Kaiyuan Street, Huozhou City, Shanxi Province	Dong Xinzheng
66	Jinzhong Yingbin Street Securities Branch	No.135, Yingbin Street, Yuci district, Jinzhong City, Shanxi Province	Zhuan Huiqin



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
67	Linfen Jiefang East Road Securities Branch	No.2, Jiefang East Road, Linfen City	Yang Shuangmin
68	Lingshi Xinjian Street Securities Branch	Room 101, Building 2, Lingbao International Garden, 147 Xinjian North Street, Lingshi County, Jinzhong City, Shanxi Province	Zhou Xianglian
69	Qixian Xinjian North Road Securities Branch	No.179, Xinjian North Street, Qi County, Jinzhong City, Shanxi Province (The North side of Library)	Xue Hongbin
70	Taigu Kangyuan Road Securities Branch	No.2, Building 20, Huaxing community, Kangyuan Road, Taigu County, Jinzhong City, Shanxi Province	Zhao Junhua
71	Taiyuan Bingzhou South Avenue Securities Branch	No.1-2, 94 Qinxian North Avenue, Xiaodian District, Taiyuan City, Shanxi Province	Wang Wei
72	Taiyuan Taoyuan Securities Branch	No.16, Taoyuan North Avenue, Taiyuan City, Shanxi Province	Guo Jin
73	Yicheng Hongqi Street Securities Branch	Floor 2 and 3, Wenti Commercial Building, the East of the Government Square, Hongqi East Street, Yicheng County, Shanxi Province	Chen Honghua
74	Taiyuan Yingze West Avenue Securities Branch	No.53, Yingze West Avenue, Taiyuan City, Shanxi Province	Zhao Songlin
75	Chengdu North 2nd Huan Road Securities Branch	No.8, North Section 1, 2nd Huan Road, Chengdu City	Li Hui
76	Chengdu Chengfei Avenue Securities Branch	2/F, No. 123 Jingyi Road, Chengfei Avenue, Jingyi Road, Qingyang District, Chengdu City	Xu Ziqin
77	Chengdu North Kehua Road Securities Branch	No.139, North Kehua Road, Chengdu City, Sichuan Province	Wang Hong
78	Chengdu Jianshe Road Securities Branch	No. 9 Jianshe Road, Chenghua District, Chengdu City	Zhang Zhiqiang
79	Chengdu South Renmin Road Securities Branch	No. 86, Section 1, South Renmin Road, Qingyang District, Chengdu City	Xu Cheng
80	Chongqing East Jianxin Road Securities Branch	2/F, Baiyexing Building, No. 3 East Jianxin Road, Jiangbei District, Chongqing City	Liu Yu



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
81	Chongqing Jiangjin Securities Branch	Unit 3-1 Block 1, Xiangrui Building, No. 518 Dingshan Road, Dingshan Subdistrict, Jiangjin District, Chongqing City	Liu Hengyan
82	Chongqing Jiangnan Avenue Securities Branch	Room 1&2, 5/F, Chengshizhiguang Building, No.19 Jiangnan Avenue, Nanping Subdistrict, Nan'an District Chongqing City	Tang Hewen
83	Chongqing Yinhua Road Securities Branch	1/F, Qinianyuecheng 7th Building, No. 166 Yinhua Road, Longshan Subdistrict, Yubei District, Chongqing City	Luo Bing
84	Chongqing Minzu Road Securities Branch	15/F, 101 Minzu Road, Yuzhong District, Chongqing City	Wei Qingkong
85	Chongqing Zhujiang Road Securities Branch	22-1#, 22-7#, 22-8#, 22-9#, 1st Building, No. 48 Zhujiang Road, Yangjiaping, Jiulongpo District, Chongqing City	Cao Yi
86	Shanghai Zhongshan North Road Securities Branch	Room 401-406, 408-412, 2917 Zhongshan North Road, Putuo District, Shanghai	Li Junyan
87	Shanghai Zhongyuan Road Securities Branch	No.188, Zhongyuan Road, Shanghai	Liu Dong
88	Shenzhen Shennan Avenue Securities Branch	Unit 1701-01, Block A, Jingji 100 Building, No. 5016 Shennan East Road, Luohu District, Shenzhen City	Han Qi
89	Shenzhen Xianglin Road Securities Branch	701, 702, 703, 705, 706, Fuchun Oriental Building, Xianglin Road, Futian District, Shenzhen City	Wang Kun
90	Shenzhen Fuhua First Road Securities Branch	2701, 2713-2720, 27/F, Zhongxin Business Building, 88 Fuhua 1st Road, Futian District, Shenzhen City	Hu Xuemei
91	Shenzhen First High-Tech New South Avenue Securities Branch	Room 301, No. 3 Annex Building, Science Development Institute of China, No. 009 First High-Tech New South Avenue, Nanshan District, Shenzhen	Tang Zhigang
92	Shenzhen Haide 3rd Avenue Securities Branch	Unit 2908-2912, 29th Floor, West Hai'an Building, Haide 3rd Road, Nanshan District, Shenzhen City	Gong Dejun
93	Shenzhen Jingtian Securities Branch	2/F, Saigejingyuan Building, 17 West Jingtian Road, Futian District, Shenzhen City	Lin Yibin



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
94	Shenzhen Luohu Securities Branch	1301-1302 13/F and 1501-1506 15/F, East Financial Building, No. 2020, Dongmen Middle Road, Luohu District, Shenzhen	Shi Zhongyang
95	Tianjin Gulou East Street Securities Branch	Floor 2, Building 16, Xinlongxuan, the cross of Chengxiang East Street and Gulou East Street, Nankai district, Tianjin	Chen Liansheng
96	Tianjin Kaihua Road Securities Branch	Floor 1, Huake Entrepreneurship Center, 3 Kaihua Road, Huayuan Industrial Park, Binhai High-Tech Industry Development Zone	Zhong Jihong
97	Tianjin Shengli Road Securities Branch	1-2-101, Ruihai Building, Northwest of intersection of Shengli Road and Jianguo Road, Hebei District, Tianjin	Qu Ligu
98	Xiamen Huyuan Street Securities Branch	The 1-3 Floor, No. 6, Huyuan Road, Xiamen City	Huang Feilong
99	Xiamen Jiahe Street Securities Branch	The 5th Floor, Block C New Jingyuan Center, No. 25, Jiahe Road, Siming District, Xiamen city	Zeng Wenqing
100	Xiamen Meihu Street Securities Branch	No. 75-87, Meihu Road, Xiamen city	Zhou Lianyuan
101	Xiamen Tongan Xiangping Securities Branch	Block 6, No. 72, Xiqiao Road, Xiangping Street, Tongan District, Xiamen City	Wei Xiangfei
102	Kunming Baita Road Securities Branch	393 Baita Road, Kunming City, Yunnan Province	Chen Peng
103	Kunming West Dongfeng Road Securities Branch	9/F, Shunchengdongta Building, 11 West Dongfeng Road, Kunming City, Yunnan Province	Wei Yuhong
104	Kunming Minhang Road Securities Branch	Unit 7-A, Tower A, Yunnan Chengtuo Building, 400 Minhang Road, Guandu District, Kunming City	Xiao Peng
105	Yiliang Renmin Road Securities Branch	No. 69 Renmin Road, Yiliang County, Yunan Province	Chen Yanbin
106	Cangnan Station Avenue Securities Branch	Rom 201, Block 6, Shidai Dushi Plaza, Lingxi Town Station Avenue, Cangnan County, Wenzhou City	Lin Guanshu
107	Changxing County Qianxi Road Securities Branch	The 1st and 3rd Floor, No. 207, 209 and 211, Qianxi Road, Zhicheng Town, Changxing County	Yu Zhiwei



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
108	Deqing Securities Branch	No. 251, Zhongxing South Road, Wukang County, Deqing Town, Zhejiang Province	Wu Tao
109	Hangzhou Genshan West Road Securities Branch	Floor 1, 7-8, 220 Genshan West Road, Hangzhou City, Zhejiang Province	Wang Yueqian
110	Hangzhou Gudun Road Securities Branch	Room 401, Unit 3, Building 1, Yuyingfang, Qinqinjiayuan, Sandun county, Hangzhou City, Zhejiang Province	Sun Zhuo
111	Hangzhou Shaoxing Road Securities Branch	Room 216-217, 303 Shaoxing Road, Hangzhou City	Wang Guang
112	Hangzhou Qingchun Road Securities Branch	No. 38-1, Qingchun Road, Hangzhou City	Gao Yijun
113	Hangzhou Stadium Road Securities Branch	Floor 1, 3, 4, 102 Stadium Road, Hangzhou City	Chen Chuang
114	Hangzhou Xintang Road Securities Branch	No. 13, Xintang Road, Hangzhou City, Zhejiang Province	Hu Jun
115	Hangzhou Yuhang Qiushan Street Securities Branch	No. 626, Qiushan Street, Donghu Road, Yuhang District, Hangzhou City	Chen Lijun
116	Huzhou Shiyuan Road Securities Branch	No. 883-885, Shiyuan Road, Nanxun County, Huzhou City, Zhejiang Province	Jin Huan
117	Huzhou Securities Branch	No.128, Hongqi Road, Huzhou City, Zhejiang Province	Lou Daxin
118	Jiaxing Securities Branch	No. 705, Qinjian Road, Jiaxing City, Zhejiang Province	Yang Jianming
119	Jiande Xin'an Road Securities Branch	No.193, Xin'an Road, Xin'anjiang Street, Jiande City, Zhejiang Province	Wu Hao
120	Jinhua Securities Branch	No. 393, Bayi South Road, Jinhua city, Zhejiang Province	Zhong Xiaojun
121	Lanxi Sanjiang Street Securities Branch	No. 73, Sanjiang Road, Lanxi city, Zhejiang Province	Ni Zhifang
122	Lishui Securities Branch	No. 375, Dayang Road, Lishui city, Zhejiang Province	Xie Jianhong
123	Longquan Xinhua Street Securities Branch	No. 30, Xinhua Road, Longquan city, Zhejiang Province	Yang Ye



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
124	Pinghu Jiefang West Street Securities Branch	The 1st and 2nd Floor, No. 62, Jiefang West Road, Danghu Street, Pinghu city, Zhejiang Province	Sun Hangping
125	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
126	Qingtian Yongjin Street Securities Branch	No. 1, No. 2, Yongjin Road, Qingtian County, Lishui city, Zhejiang Province	Yu Haigen
127	Qingyuan Mengzhou Securities Branch	No.160, Mengzhou Road, Songyuan Town, Qingyuan County, Zhejiang Province	Zhang Yong
128	Quzhou Hehua Middle Street Securities Branch	The 1st and 3rd Floor, No. 50, Hehua Middle Road, Quzhou City, Zhejiang Province	Xu Shenglin
129	Shangyu Wangchong Road Securities Branch	Room 401, Room 402, Jincheng Building, No. 67-71, Decheng Road, Baiguan Street, Shangyu District, Shaoxing City	Gong Xiaojun
130	Shaoxing Securities Branch	No.146, Luxun Middle Road, Shaoxing City, Zhejiang Province	Xi Meijiao
131	Zhuchang North Street Securities Branch	No.1, North Road, Miaogao town, Zhuchang county, Zhejiang Province	Qiu Suhua
132	Taizhou Youdian Street Securities Branch	No.109-125, Youdian Road, Luqiao District, Taizhou City, Zhejiang Province	Yu Wei
133	Tonglu Fuchun Road Securities Branch	Floor 1, 7, 528 Fuchun Road, Tonglu County, Zhejiang Province	Chen Jiechao
134	Wenzhou Danan Street Securities Branch	No. 201, 2nd Floor, Huadu Building, Danan Road, Lucheng District, Wenzhou city, Zhejiang Province	Peng Jie
135	Yiwu Chouzhou North Street Securities Branch	Floor 2-4, No. 661 and No. 663, Chouzhou, North Road, Yiwu City, Zhejiang Province	Shen Qun
136	Qingdao Nanjing Road Securities Branch	No.100E, Nanjing Road, Shinan District, Qingdao City	Yu Jun
137	Qingdao Hong Kong West Road Securities Branch	No. 22, Xianggang West Road, Shinan District, Qingdao City	Liu Guoguang



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
138	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
139	Xining Changjiang Road Securities Branch	No. 106 Changjiang Road, Xining City, Qinghai Province	Feng Qing
140	Xining West Street Securities Branch	4/F, Xingwang Building, No. 2 West Street, Chengzhong District, Xining, Qinghai Province	Wang Xin
141	Xi'an Heping Road Securities Branch	Jiateng Building, No. 112, Heping Road, Beilin District, Xi'an City	Wang Juan
142	Xi'an East Youyi Road Securities Branch	No. 51, East Youyi Road, Xi'an, Shaanxi City	Liu Yuenian
143	Shanghai Pudong South Road Securities Branch	Floor 1 & 15, World Square, 855 Pudong South Road, Shanghai	Chen Aiping
144	Shanghai Anye Road Securities Branch	No.124, Anye Road, Shanghai	Song Weiyan
145	Shanghai Caobao Road Securities Branch	Floor 9, No. 3459, Caobao Road, Minhang District, Shanghai	Li Xinliang
146	Shanghai Dalian West Road Securities Branch	No. 555-557, Dalian West Road, Shanghai	Li Xue
147	Shanghai East Daming Road Bund Securities Branch	Room A, Floor 2, 912 East Daming Road, Hongkou District, Shanghai	Chen Jianguang
148	Shanghai Dongfang Road Securities Branch	Floor 8, 989 Dongfang Road, Pudong New District, Shanghai	Ma Liu
149	Shanghai Gongkang Road Securities Branch	No. 328, Gongkang Road, Baoshan District, Shanghai	Jiao HongYan
150	Shanghai Hongjing Road Securities Branch	Room 202, 185 Hongjing Road, Shanghai	Dai Linlong
151	Shanghai Hengfeng Road Securities Branch	Room 201-1, Floor 2, 218 Hengfeng Road, Shanghai	Yu Lili
152	Shanghai Changning District Zhenning Road Securities Branch	Room 202, 2/F, No. 525 Zhenning Road, Changning District, Shanghai	Li Gequan
153	Shanghai Lianxi Road Securities Branch	No.150, Lianxi Road, Shanghai	Huang Gang
154	Shanghai Renmin Road Securities Branch	Floor 3, 757 Renmin Road, Huangpu Town, Shanghai	Qiu Peng
155	Shanghai Shangnan Road Securities Branch	No. 1316, Shangnan Road, Pudong New District, Shanghai	Cheng Xiaoqi



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
156	Shanghai East Baoxing Road Securities Branch	Floor 12,13, 118 East Baoxing Road, Hongkou District, Shanghai	Liang Chunliang
157	Shanghai Wulian Road Securities Branch	No. 11, Wulian Road, Pudong New District, Shanghai	Zhang Xuehong
158	Shanghai Xinchang Road Securities Branch	Floor 2, 6, North, No.518, Xinchang Road, Huangpu Town, Shanghai	Yang Bin
159	Shanghai Xinyu Road Securities Branch	No. 205, Xinyu Road, Jiading District, Shanghai	Pan Yuhua
160	Shanghai Yanan West Road Securities Branch	Floor 5, 889 Yanan West Road, Changning District, Shanghai	Shen Wenjie
161	Shanghai Yichuan Road Securities Branch	Floor 1, 2, 833 Yichuan Road, Shanghai	Huang Xuqing
162	Shanghai Pudong Jingyu East Road Securities Branch	Room 101, Room 201, No. 265 Jingyu East Road, Yangpu District, Shanghai	Wang Yisheng
163	Shanghai Pudong New District Yuanshen Road Securities Branch	15/F, No. 92 Yuanshen Road, China (Shanghai) Pilot Free Trade Zone	Hua Yafeng
164	Shanghai Zhaojiabang Road Securities Branch	Floor 2(B), 3, 186 Zhaojiabang Road, Shanghai	Chen Jianming
165	Hefei Changjiang Middle Street Securities Branch	No. 57, Changjiang Middle Road, Hefei City, Anhui Province	Cheng Lesan
166	Hefei Jincheng Securities Branch	No. 419, Changjiang Middle Road, Luyang District, Hefei City, Anhui Province	Lu Weizhe
167	Hefei Qimen Street Securities Branch	No. 1569, Qimen Road, Zhengwu New Street, Hefei City, Anhui Province	Kong Jun
168	Hefei Tunxi Street Securities Branch	Fuguang Building, No. 239, Tunxi Road, Baohe District, Hefei City, Anhui Province	Tao Fei
169	Huangshan Xinyuan East Road Securities Branch	No. 198, Xinyuan East Road, Tunxi District, Huangshan City, Anhui Province	Lu Wenbin
170	Ma'an Shan Securities Branch	No.18-1, Zhonggang First Village, Huashan Road, Manshan City, Anhui Province	Wang Gongman
171	Wuhu Limin West Street Securities Branch	Taixin Business Center (Huarun Suguo Limin Shopping Mall), Yijiang District, Wuhu city, Anhui Province	Wang Wei



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
172	Bengbu Donghai Street Securities Branch	No. 5183 (Floor 1, East of Business Building, South of Zhanggongshan Park), Donghai Road, Bengbu City, Anhui Province	Zhang Hai
173	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
174	Fuzhou Yeshan Road Securities Branch	Floor 4, Zonghe Building, No. 105 Yeshan Road, Gulou District, Fuzhou City, Fujian Province	Zheng Yong
175	Zhangzhou Shuixian Street Securities Branch	Room D3, Building D-E, Rongchang Square, Rongchang Garden, Shuixian Street, Longwen District, Zhangzhou City, Fujian Province	Lei Jintao
176	Harbin Zhongshan Road Securities Branch	No. 252, Zhongshan Road, Nangang District, Harbin City	Li Naichen
177	Harbin West Tenth Street Securities Branch	No.19, West Tenth Street, Daoli District, Harbin City	Wang Ting
178	Daqing Dongfeng Road Securities Branch	No. 80, Dongfeng Road, No. F-4 Shangfu Building, Hanchengmingyuan, Longfeng District, Daqing City	Sun Lixiu
179	Ganzhou Kejia Street Securities Branch	No.11, Kejia Street, Zhanggong District, Ganzhou City, Jiangxi Province	Li Zhixue
180	Nanchang Square East Street Securities Branch	No. 203, Square East Road, Nanchang City, Jiangxi Province	Yu Genping
181	Nanchang Yanjiang Middle Street Securities Branch	Floor 3, Huacai Building, No. 019, Yanjiang Middle Road, Nanchang City, Jiangxi Province	Shuang Nianqun
182	Dalian Renmin Road Securities Branch	Floor 3, Chengda Building, 71 Renmin Road, Zhongshan District, Dalian City	Zheng Yue
183	Dalian Xinkai Road Securities Branch	Zhujiang International Building, 99 Xinkai Road, Xigang District, Dalian City	Wang Hui bin
184	Dalian Yan'an Road Securities Branch	No. 6, Yan'an Road, Zhongshan District, Dalian City	Wang Yansong
185	Changchun Dongnanhu Road Securities Branch	1999 Nanhu Road, Nanguan District, Changchun City, Jilin Province	Yan Xiaomin



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
186	Changchun West Minzhu Street Securities Branch	No.1161, Chaoyang West Minzhu Street, Changchun City, Jilin Province	Zhao Yubo
187	Beijing Chaoyangmen North Avenue Securities Branch	Floor 6, Tower B, 5th Square, No.5, Changyangmen North Avenue, Dongcheng District, Beijing	Wang Xiaojing
188	Beijing Fangzhuang South Avenue Securities Branch	Room 103, 2 Fangzhuang South Avenue, Fengtai District, Beijing	Wu Di
189	Beijing Fucheng Avenue Securities Branch	Floor 1, 3, 4, Yindu Building, No.67, Fucheng Avenue, Haidian District, Beijing	Ma Junming
190	Beijing Guangqumen Avenue Securities Branch	Floor 7, 27 Guangqumen Avenue, Dongcheng District, Beijing	Xu Weifeng
191	Beijing Sun Palace Securities Branch	No.9, Floor 2, No. 2, Floor 1, Building 11, Xiajiayuan, Chaoyang District, Beijing	Ai Haifeng
192	Beijing Huangsi Avenue Securities Branch	Floor 1-2, Building 2, 21 Huangsi Avenue, Xicheng District, Beijing	Cao Yanxia
193	Beijing Jianguo Road Securities Branch	Room 308, Floor 3, Floor 1, North, Ruisai Building, 2 South Donghuan Road, Chaoyang District, Beijing	Dong Yingzhen
194	Beijing Financial Street Securities Branch	Floor 3-4, No. 111 Taiping Bridge Avenue, Xicheng District, Beijing	Zhao Hongliang
195	Beijing Taoran Qiao Securities Branch	Room 901-906, Floor 9. No.1 Majiabao Road, Dongcheng District, Beijing	Ding Zefu
196	Beijing Hujialou Securities Branch	2/F, Building 6, North Xiangjun Lane A, Hujialou, Chaoyang District, Beijing	Ma Ming
197	Beijing Wangjing Securities Branch	Floor 2, 12 Futong East Avenue, Chaoyang District, Beijing	Zhao Zhiquan
198	Beijing Xueqing Road Securities Branch	Room 701-702, 712-718, Floor 7, Jinma Hotel, No.38(A) Xueqing Road, Haidian District, Beijing	Yan Xiaolong
199	Beijing South Xueyuan Road Securities Branch	Floor 1-3, Building 2, 34 South Xueyuan Road, Haidian District, Beijing	Zhao Xinhua
200	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
201	Beijing Zhongguancun Avenue Securities Branch	03-3D Tower D, Building 1-4, 18th Yard (A), Zhongguancun South Avenue, Haidian District, Beijing	Yang Yan



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
202	Dalian Huanghe Road Securities Branch	Room B, C, D, Floor 5 of the Elevator, 620 Huanghe Road, Shahekou District, Dalian City	Guo Qing
203	Baiyin Renmin Road Securities Branch	No. 10 Renmin Road, Baiyin City, Gansu Province	Fang Peng
204	Baotou Wulan Road Securities Branch	No.6, 19 (A) Wulan Road, Kundulun District, Baotou City, Inner Mongolia Autonomous Region	Ren Wei
205	Guiyang Jinyang West Guanshan Road Securities Branch	A58, 1/F&-1/F, Tower B, Jinyang Qiantu Plaza, Jinyang New District, Guiyang	Luo Wei
206	Guilin Middle Zhongshan Road Securities Branch	8/F, South Tower, Bagui Building, 47 Middle Zhongshan Road, Xiufeng District, Guilin City Guangxi	Wang Jianhua
207	Haikou Binhai Avenue Securities Branch	1&13/F, Qiongtai Building, 83 Binhai Avenue, Haikou City	Wen Yongchun
208	Sanya Jiefang 4th Road Securities Branch	2/F, West Wing, Orient Bay-View Hotel, 176 Jiefang 4th Road, Sanya City, Hainan Province	Chen Weihong
209	Lanzhou Qingyang Road Securities Branch	No. 77, Qingyang Road, Chengguan District, Lanzhou, Gansu Province (3&4/F, Bikexin Building)	Liu Xiaoyong
210	Nanning Yuan, Hunan Road Securities Branch	No.12-2 Yuanhu South Road, Nanning City, Guangxi Province	Wang Dongrong
211	Qinhangdao Securities Branch	No. 181, Jianshe Avenue, Harbour District, Qinhangdao City, Hebei Province	Gu Xiaofeng
212	Liuzhou Youyi Road Securities Branch	Room 7-10, 5/F, Youyiguoji, 11th Building, No. 4 Youyi Road, Liuzhou City, Guangxi	Xiao Yu
213	Urumqi Jiefang North Road Securities Branch	No. 90&112, North Jiefang Road, Tianshan District, Urumqi City	Kong Lingguo
214	Yinchuan Jiefang West Securities Branch	No. 126, West Jiefang Road, Xingqing District, Yinchuan City	Chen Shining
215	Fuzhou Dongshui Street Securities Branch	The 2nd to 3rd Floor, No. 55, Design Building Dongshui Road, Gulou District, Fuzhou City	Zheng Qingyu
216	Langfang Yinhe North Street Securities Branch	No.106, Yinhe North Street, Langfang City, Hebei Province	Li Fanghui



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No.	Securities Branches	Address	Person In Charge
217	Shijiazhuang Hongqi Street Securities Branch	No.98, Hongqi Street, Shijiazhuang City, Hebei Province	Jiao Wenli
218	Shijiazhuang Shengli North Street Securities Branch	Floor 1 & 2, Futian Building, No.156 Shengli North Street, Shijiazhuang City, Hebei Province	Luo Feng
219	Xingtai Qinghe Securities Branch	No. 17, Changjiang East Street, Qinghe County, Xingtai City, Hebei Province	Liu Wei
220	Xingtai Yejin North Street Securities Branch	Shop 208, 209 on 2/F and Shop 109 on 1/F, Building 1, Jinyuan Apartments, 229 Yejin North Road, Qiaoxi District, Xingtai City, Hebei Province	Yu Baohua
221	Zhengzhou Jiankang Street Securities Branch	No.168, Jiankang Road, Zhengzhou City, Henan Province	Mao Guoxing
222	Zhengzhou Jingsan Street Securities Branch	No. 85, Jingsan North Road, Zhengzhou City, Henan Province	Wang Junzhao
223	Zhengzhou Longhai Street Securities Branch	Floor 4, No. 59, Longhai Road, Zhengzhou City, Henan Province	Yang Mujun
224	Zhengzhou Nanyang Street Securities Branch	Attached No. 11, No. 301, Nanyang Road, Zhengzhou City, Henan Province	Chang Zhijun
225	Zhengzhou Shanhe Securities Branch	No. 39, Weiwu Road, Jinshui District, Zhengzhou City, Henan Province	Ma Chaoqun
226	Changsha Jiefang Middle Road Securities Branch	5/F, Huaqiao Building, No. 18 Jiefang Central Road, Furong District, Changsha City	Hu Hao
227	Changsha Furong Middle Street Securities Branch	No. 327, 2nd of Furong Middle Road, Changsha City, Hunan Province	Deng Likang
228	Loudi Yuetang Street Securities Branch	3rd Floor, Building E, Anshi Group, Anshi Square, Yuetang Street, Louxing District, Loudi City, Hunan Province	Zhang Xianghong
229	Weinan Chaoyang Street Securities Branch	No. 2, Chaoyang Street, Linwei District, Weinan City	Pan Yuan
230	Jiexiu Zhenxing Street Securities Branch	The Adjacency of Yipinhuangniu, Zhenxing Street, Jiexiu City, Jinzhong City	Shi Jianhua
231	Cangzhou Yong'an South Street Securities Branch	No. 1266, 7th Part, Yihewenyuan Sales Department, Jiefang West Road, Yunhe District, Cangzhou City, Hebei Province	Chen Hui
232	Zhanjiang Lianjiang Huanshi North Road Securities Branch	No. 66, Lianjiang Huanshi North Road, Zhanjiang City, Guangdong Province	Luo Yufeng



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
233	Zhaoqing Xinghu Avenue Securities Branch	East Store of No. 102 Store, 1st Floor, C5 Building, Hengyu Bay, No. 9, Xinghu Avenue, Zhaoqing City, Guangdong Province	Fan Zhiming
234	Wenzhou Jinxiu Street Securities Branch	Room 104, Building 1, Ruikang Business Building, Jinxiu Road, Wenzhou City	Jin Fan
235	Yuyao Nanlei Road Securities Branch	No. 1, Shinan East Road, Yuyao City	Xu Yan
236	Qingdao Development Zone Securities Branch	No. 509-18, Lijiang East Road, Qingdao Economic and Technological Development Zone	Zou Haimiao
237	Weihai Tongyi Road Securities Branch	No. 29-47, 49, Tongyi Road, Weihai City	Shao Renhang
238	Jining Guanghe Road Securities Branch	Yinhe Building, No. 18 Guanghe Road, Jining City	Du Zhaohui
239	Meishan Renshou Guangming Road Securities Branch	No. 389, Section 2 of Guangming Road, Wenlin Town, Renshou County	Liu Xiaobin
240	Fuyang Yingbin Road Securities Branch	No. 47-5, Yingbin Road, Fuchun Street, Fuyang City	Yu Heguo
241	Zhongshan Sanxiang Jingguan Avenue Securities Branch	Cart 48, Jing Guan Hao Ting, No. 2 Jingguan Avenue, Sanxiang Town, Zhongshan City	Li Xinrong
242	Zhuzhou Tianyuan Huangshan Road Securities Branch	Room 207, 107, Block 6, Hua Chen Yu Yuan, Huangshan Road, Tianyuan District, Zhuzhou City	Qu Yiping
243	Jiangyin Hongqiao North Road Securities Branch	No. 183-185, Hongqiao North Road, Jiangyin City	Chen Zheng
244	Hangzhou Tiancheng East Road Securities Branch	No. 246-234, Tiancheng East Road, Hangzhou Economic and Technological Development Zone (Block 1, Shangsha Yongyu Building)	Li Jihua
245	Yuncheng Yuxi Road Securities Branch	Yuxi West Road, Yanhu District, Yuncheng City (No. 109, 1/F, Unit 5, Block 15, Yu Xi Yuan)	Wang Qiang
246	Shenzhen Longgang Huanan Avenue China South City Securities Branch	Room 209-210, 2/F, South China Development Center, Inside South China International Industrial Raw Materials Town, Pinghu Street, Longgang District, Shenzhen City	Yin Xinmin
247	Foshan Nanzhuang Dijing North Road Securities Branch	P1, 1/F, District 3, No. 16 Dijing North Road, Shichian Town, Foshan City	Liang Yusheng



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
248	Foshan Shunde Junan Baian North Road Securities Branch	Shop 40, Shang Shu Jun Ting, No. 20 Baian North Road, Junan Town, Shunde District, Foshan City	Chen Jie
249	Fuxin Xinhua Road Securities Branch	Door 74-15, Xinhua Road, Haizhou District, Fuxin City	Liang Xiaogang
250	Chengdu Shuangliu Yingchun Road Securities Branch	No. 66, Section 4 of Yingchun Road, Dongsheng Street, Shuangliu County, Chengdu City, Sichuan Province	Chen Qiang
251	Guangzhou Guangzhou Avenue Central Securities Branch	Room 2502, North Tower, No. 988 Guangzhou Avenue Central, Tianhe District, Guangzhou City (For office only)	Shi Nan
252	Leshan Renmin South Road Securities Branch	No. 210, No. 212 Renmin South Road, Shizhong District, Leshan City	Chen Jun
253	Nanchang Honguzhong Avenue Securities Branch	Room 105, Storefront, Block 2, District 1, Wan Da Xing Cheng Phase 3, Honggutan New District, Nanchang City, Jiangxi Province	Xu Hong
254	Sanming Liedong Street Securities Branch	Shop 6,7,8, 1/F, Block 362, Gan Long New Village, Meilie District, Sanming City	Li Lihua
255	Shanghai Pilot Free Trade Zone Jilong Road Securities Branch	Room 1112, 1115, No. 6 Jilong Road, China (Shanghai) Pilot Free Trade Zone	Yu Meng
256	Zhoushan Qiandao Road Securities Branch	1/F, Block A, Jianshe Building, No. 167 Qiandao Road, Lincheng Streets, Dinghai District, Zhoushan	Zhu Haijie
257	Linhai Duqiao Xiazhu Road Securities Branch	No. 16, Xiazhu Road, Duqiao Town, Linhai City	Ren Liqing
258	Linyi Yimeng Road Securities Branch	Room 103, 203, 303, Building 22, Shifu Community, No. 108 Yimeng Road, Lanshan District, Linyi City (Opposite of Xizhi Hotel)	Hou Dawei
259	Nanjing Jiangning Zhushan Road Securities Branch	No. 136, Zhushan Road, Jiangning District, Nanjing City	Yang Weixue
260	Chongqing Songqing Road Securities Branch	No. 1-1-138, No. 18 Cuiyun Street, No. 1048 Songqing Road, Chunhui Road Streets, Dadukou District, Chongqing City	Liu Yu



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
261	Foshan Shunde Longjiang Donghua Road Securities Branch	Shop 77, Bao Li Jia Yuan, No. 23 Donghua Road, Xixi Community Residence Committee, Longjiang Town, Shunde District, Foshan City	Chen Shaoyu
262	Bazhong Yuntai Street Securities Branch	Shop 1-6, 1-7, Shizhongxing Complex, Jiangbei Avenue, Bazhong City, Sichuan Province	Lin Hai
263	Xiangtan Furong Central Road Securities Branch	No. 0101004 Zhongyi International, No. 52 Furong Central Road, Baota Streets, Yuetang District, Xiangtan City	Feng Jun
264	Mianyang Yuejin Road Securities Branch	No. 1-4, 5/F, Unit 3, Block 26, Changhong International, No. 6 Yuejin Road, Fucheng District, Mianyang City	Liu Wei
265	Nanjing Gaochun Baota Road Securities Branch	No.117, Baota Road, Chunxi Town, Gaochun District, Nanjing City, Jiangsu Province	Ju Min
266	Nantong Gongnong Road Securities Branch	Room 107, Jintang Building, No. 198 Gongnong Road, Nantong City,	Ye Xiaoli
267	Zhuanghe Xiangyang Road Securities Branch	No. 11, Floor 18#1, Changsheng Garden, No. 60 Section 2 of Xiangyang Road, Chengguan Street Finance Committee, Zhuanghe, Liaoning Province	Sun Chenrui
268	Changshu Haiyu North Road Securities Branch	A-108, Hua Fu Shi Jia, No. 5 Hai Yu North Road, Changshu City, Jiangsu Province	Wang Fuxing
269	Shenyang Nan Shun Cheng Road Securities Branch	No. 56, Shuncheng Road, South of Shenhe District, Shenyang City	Chen Jinyan
270	Shangrao Daihu Road Securities Branch	No.1-1, Block 2, No. 50 Daihu Road, Xinzhou District, Shangrao City, Jiangxi Province	Wang Jianhong
271	Shenyang Changbai West Road Securities Branch	No. 36, Changbai West Road, Heping District, Shenyang City (36A, Changbai West Road)	Li Bin
272	Ningbo Ningnan North Road Securities Branch	No. 1049 Ningnan North Road, Zhonggong Temple Street, Yinzhou District, Ningbo City	Lin Changshan
273	Shanghai Qingpu District Mingzhu Road Securities Branch	Room 106, No. 838 Mingzhu Road, Qingpu District, Shanghai	Zhang Huanlai



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
274	Yingkou Shifu Road Securities Branch	No. 2, Floor 1, Block A, Wealth Center Office, Block C, Wealth Plaza, 3 Shifu Road North, Zhanqian District, Yingkou City	Lin Mu
275	Zhongshan Cuiling Road Securities Branch	Cart 17, 2/F, Block 1, Tian Qing Hui Fu, No. 2 Cuiling Road, Huoju Development Zone, Zhongshan City	Ye Shaowen
276	Huainan Guangchang Road Securities Branch	Shop No. 116, 215, 216, Lucheng Garden, Plaza Road, Tianjiaan District, Huainan City, Anhui Province	Wang Tao
277	Jiamusi Baowei Road Securities Branch	No. 98, Baowei Road, Qianjin District	Zhang Bin
278	Luoyang Jingyuan Road Securities Branch	108, Block 1, No. 99 Jingyuan Road, Xigong District, Luoyang City	Li Yang
279	Taizhou Yinquan Road Securities Branch	No. 264-266, Yinquan Road, Nanyuan Community, Xicheng Street, Huangyan District, Taizhou City	Hu Yue
280	Chongqing Shan'an Street Securities Branch	South Garden-5, Nankai Commercial Street, No. 1 Shan'an Street, Shapingba District, Chongqing City	Zeng Yi
281	Shaoxing Jinkeqiao Avenue Securities Branch	No. 248, 250, Jinkeqiao Avenue, Keqiao Street, Keqiao District, Shaoxing City	Xu Jianguo
282	Qujing Jiaotong Road Securities Branch	No. 189, Jiaotong Road, Qilin District, Qujing City, Yunnan Province	Li Wanjiang
283	Zhanjiang Guanhai North Road Securities Branch	House 21, 1/F, Block 2, 3, 4, 5, Zhanjiang Bin Hai Yuan, No. 1 Guanhai North, Chikan District, Zhanjiang City	Zhong Xiaoling
284	Chun'an Xinan Avenue Securities Branch	Floor 1, No. 49, Xinan Avenue, Qiandaohu Town, Chunan County	Xu Xinri
285	Jincheng Jingxi Road Securities Branch	Room 6, Commercial and Residential Building of Ruiqi Real Estate Development Co., Ltd., East of Jingxi Road, Jincheng City, Shanxi Province	Zheng Jiguo
286	Chuxiong Lucheng South Road Securities Branch	No. 44, Lucheng South Road, Chuxiong, Chuxiong Prefecture, Yunnan Province	Qi Wei
287	Mojiang Huigui Avenue Securities Branch	Shop D9, D10, Yintai Business Center, Huigui Avenue, Mojiang County, Puer, Yunnan Province	Zhang Xiao
288	Hekou Fuan Road Securities Branch	No. 3, Block 22, Beishan New District, Hekou County, Honghe Prefecture, Yunnan Province	Guan Zhimeng



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
289	Shanghai Minhang District Chenxing Road Securities Branch	Room 218, 2/F, Block 1, No. 2388 Chenxing Road, Minhang District, Shanghai	Jin Qibao
290	Xuchang Xuji Avenue Securities Branch	No. 589, Xuji Avenue, Weidu District, Xuchang City	Pan Haixia
291	Anqing Yanjiang East Road Securities Branch	Room 6-7, 1/F, Block 10, Yangguang Garden Phase 2, No. 18 Yanjiang East Road, Yingjiang District, Anqing City, Anhui Province (2 floors)	Ji Xiong
292	Dongguan Humen Avenue Securities Branch	No. 12, Jinyue Court North, Block D, Huang Jin Zhou Gao Ke Building (Jin Se Jia Yuan), Humen Town, Dongguan City	Ning Ximing
293	Dongying Fuqian Avenue Securities Branch	No. 84 Fuqian Avenue, Dongying District	Che Xiaoyu
294	Fenghua Yuelin Road Securities Branch	No. 1-1, 1-2, Yuelin Road, Jinpin Street, Fenghua City	Ye Luozi
295	Quanzhou Nanjun Road Securities Branch	No. C4-19, Nanjun North Road, Licheng District, Quanzhou City, Fujian Province	Wu Liangkai
296	Shanghai Baoshan District Luxiang Road Securities Branch	Room 101, 1/F, No. 2 Alley 111, Luxiang Road, Baoshan District, Shanghai	Zhu Yue Wei
297	Tianjin Sheng' an Avenue Securities Branch*	No. 46 Shengan Avenue, Heping District, Tianjin	Peng Shoujun
298	Foshan Nanhai Guangyun Road Securities Branch	Shop 32, 1/F, Yong Jing Court, Jiayi Garden, Guangyun Road, Dali Town, Nanhai District, Foshan City	Wu Riwen
299	Xinxiang Youyi Road Securities Branch	Room 107, 1-2/F, Building 28, 103 Factory Residential Community, No. 1 Youyi Road, Xinxiang City	Wang Qingfeng
300	Baoji Gaoxin Avenue Securities Branch	No. 59, Gaoxin Avenue, Baoji City, Shaanxi	Zhao Liang
301	Shanghai Putuo District Zhongjiang Road Securities Branch	1/F, No. 20 Alley 118, Zhongjiang Road, Putuo District, Shanghai	Zhou Qun
302	Shizuishan Chaoyang West Street Securities Branch	No. 1, Chaoyang West Street, Shizuishan, Ningxia	Chen Guang
303	Jilin Chongqing Street Securities Branch*	Outlet No. 033, Jilin Wealth Plaza, No. 1367 Chongqing Road, Changyi District, Jilin City	Wang Huanyu
304	Shanghai Pudong New District Jingao Road Securities Branch	Room 108, No. 945, Jingao Road, Pudong New District, Shanghai	Huang Lei



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
305	Xiyang Xiacheng Street Securities Branch	Shop 24, Zhong Cheng Ya Ju, Xiacheng Street, Xiyang County, Jinzhong City, Shanxi Province	Wang Tao
306	Xiaoyi Fuqian Street Securities Branch	Fuqian Street, Luliang Xiaoyi City, Shanxi Province (Shop 16, Xiang He Xin Yuan)	Fu Weihao
307	Lhasa Chaoyang Road Securities Branch	No. 2, Chaoyang Road, Taiyang Island, Lhasa City	Li Zexiao
308	Zhanjiang Minyou Road Securities Branch	A05, 1/F, Shopping Centre, Zhanli Grand Apartments, No. 1,3 Minyou Road, Xiashan District, Zhanjiang City, Guangdong Province	Qiu Meiyong
309	Guangzhou Yuejiang Central Road Securities Branch	Room 106, No. 686, Yuejiang Central Road, Haizhu District, Guangzhou City	Cheng Shixuan
310	Guangzhou Zencheng Licheng Street Securities Branch	Room 1001, No. 20, Minle Road, Licheng Street, Zencheng, Guangzhou City	Wen Bin
311	Zhanjiang Leizhou Xihu Avenue Securities Branch	Shop 103, Block C1, Long Jing Ming Ju, 99C Xihu Avenue, Leizhou City (inside the former Light Machinery Factory)	Zhuang Qing
312	Guangzhou Fangcun Avenue West Securities Branch	1/F, 2/F, No. 295 Fangcun Avenue West, Liwan District, Guangzhou City	Deng Qingcong
313	Guangzhou Guan hong Road Securities Branch	Room 201-205, 207 and 208, 2/F, No. 12 Guan hong Road, Luogang District, Guangzhou City (For office only)	Long Ming
314	Guangzhou Airport Road Securities Branch	Room 106A, No. 585 Airport Road, Baiyun District, Guangzhou City (For office only)	Dong Siyi
315	Yancheng Yingbin South Road Securities Branch	Room 102, Block 7, Northern District, Qianjiang Fangzhou Community, No. 126 Yingbin South Road, Yancheng City	Gao Lili
316	Guiyang Xintian Avenue Securities Branch	No. 7, 1/F, Block B1-B4, B6, District B, Zhongtian Garden Phase 3, No. 289, South section of Xintian Avenue, Yunyan District, Guiyang City	Luo Yunfei
317	Wuxi Shengan West Road Securities Branch	1-2/F, No. 534 Shengan West Road, Huishan District, Wuxi City	Liu Zhongxi
318	Meizhou Yanjiang West Road Securities Branch	No. 32, Yanjiang West Road, Meizhou City, Guangzhou Province	Li Zhenxin



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
319	Shenzhen Longgang Shenglong Road Securities Branch	No. 102, Building 10, Shenglong Garden Phase 2, No. 2 Shenglong Road, Longcheng Street, Longgang District, Shenzhen City	Zhou Lijun
320	Neijiang Yuxi Road Securities Branch	No. 147, No. 149, No. 151, Yuxi Road, Shizhong District, Neijiang City, Sichuan Province	Lu Jun
321	Qingyuan Lianjiang Road Securities Branch	Cart 9, 10, 4/F, No.13 Commercial Building, Xincheng East Second District, Qingyuan City	Cai Yanfen
322	Guangzhou Huangpu East Road Securities Branch	Room 606, 607, No. 268 Huangpu East Road, Huangpu District, Guangzhou City	Yang Haiyang
323	Chaozhou Chaofeng Road Securities Branch	Shop 03, 1/F, Chen Zhongming Tower, South of Middle Chaofeng Road, Chaozhou City, Guangdong Province	Chen Zhihua
324	Foshan Shunde Outer Ring Road Securities Branch	Shop 17, Block 6, Baoli Bund Garden, No. 2 Rong Gui Xiao Huang Pu Residents Committee Outer Ring Road, Shunde District, Foshan City	Chen Yuxiang
325	Shenzhen Longhua Renmin South Road Securities Branch	Shop 37, Semi-basement, Block 1, Cang Long Yuan, Renmin South Road, Longhua Street, Longhua New District, Shenzhen City	Shen Dan
326	Shenzhen Pingshan Kengzi Xinfu Street Securities Branch	302, No. 36 Xinfu Street, Kengzi Office, Pingshan New District, Shenzhen City	Liu Jianrong
327	Shenzhen OCT Securities Branch	101D, Podium, Hubin Garden City, Overseas Chinese Town, Nanshan District, Shenzhen City	Yang Haoyuan
328	Xian Yannan Third Road Securities Branch	Room 20101, Unit 2, Block 11, Qu Chi Fang, No. 89 Furong West Road, Qujiang New District, Xian	Li Xudong
329	Guangzhou Qingyi Street Securities Branch	Room 101, No. 1 Qingyi Street, Tianhe District, Guangzhou City	Cao Wuquan
330	Guangzhou Huadu Fenghuang North Road Securities Branch	Shop 1-2, Fengshang Commercial Building, 10 Fenghuang North Road, Xinhua Street, Huadu District, Guangzhou City	Bi Yanhui
331	Baoding Qiyi Middle Road Securities Branch	No. 1 Commercial district, 1st Floor, No. 1955, Middle Qiyi Road, Jingxiu District, Baoding City, Hebei Province	Yan Mingyan



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
332	Putian Licheng Road Securities Branch	Storefront 6, Floor 1, Block A, Jiaotong Garden, Licheng Road, Longbanlongqiaoju Committee, Chengxiang District, Putian City, Fujian Province	Lin Yunbing
333	Taizhou Donghai Avenue Securities Branch	No. 680 & 682, Donghai Avenue, Taizhou City	Zheng Lihao
334	Lianyungang Tongguan South Road Securities Branch	109, Jianyuanguanzhu Building, No. 102, Tongguan South Road, Haizhou District, Lianyungang City	Luo Fei
335	Fuqing Wanda Palaza Securities Branch	Duplex shop 06, Floors 1 & 2, No. B3-B6, B9-B13, Fuqing Wanda Palaza, Yinxi Street, Fuqing City, Fuzhou City, Fujian Province	Chen Feng
336	Hezhou Jianshe Middle Road Securities Branch	Shop on 1/F, Block A, No. 31, Middle Jianshe Road, Babu District, Hezhou City, Guangxi	Zhou Lisi
337	Rugao Jiankang Road Securities Branch	Business Room, No. 4, Block 809, Jiankang East Village, Rucheng Town	Gu Kangkang
338	Shanghai Yangpu District Songhu Road Securities Branch	Room 201, No. 433, Songhu Road, Yangpu District, Shanghai City	Li Yajun
339	Liaoyang Laodong Street Securities Branch	No. 58, Laodong Street sub-district, Baita District, Liaoyang City, Liaoning Province	Tong Shengyong
340	Shenzhen Yinhu Road Securities Branch	East Wing, Floor 2, Yinhu Restaurant, No. 38, Yinhu Road, Qingshuihe Street, Luohu District, Shenzhen	Chen Xinghua
341	Shenzhen Fuyong Avenue Securities Branch	Floor 4, Zhengfeng Building, No.7, Fuyong Avenue, Fuyong Street, Bao'an District, Shenzhen	Dai Hui
342	Shanghai Sibao Road Securities Branch	Floor 1-2, No. 50, Sibao Road, Sijing Town, Songjiang District, Shanghai City	Xu Yongwei
343	Zhangjiagang East Rig Road Securities Branch	No. 7,9, East Rig Road, Yangshe Town, Zhangjiagang City	Zhu Kechun
344	Yulin Guangchang East Road Securities Branch	No. 139, Guangchang East Road, Yuzhou District, Yulin City, Guangxi	Yang Zhenghao
345	Guangzhou Binjiang East Road Securities Branch	Room 101, No. 554-3, Binjiangdong Road, Haizhu District, Guangzhou City	Chen Xiongwen



SECTION III COMPANY PROFILE

No.	Securities Branches	Address	Person In Charge
346	Changzhou North Street Securities Branch	No. 8-1, Yulong Garden, Zhonglou District, Changzhou City	Zhang Yu
347	Deyang Kaijiang Road Securities Branch	No. 1-6, Block A, Kaijiangxincheng, No. 336, Section 1, Kaijiang Road, Jingyang District, Deyang City, Sichuan Province	Kuang Yuwei
348	Rizhzo Weihai Road Securities Branch	No. 102, 01 Unit, Block 1AB, B District, Xinyinghuafu, Weihai Road, Donggang District, Rizhzo City, Shandong Province	Xing Lin
349	Wuhan Guanggu Securities Branch	No. 1077, Luoyu Road, Hongshan District, Wuhan City	Shen bin
350	Changji Securities Branch	No. 38, Yan'an North Road, Changji City, Changji, Xinjiang (Block 12, Qiu 2, District 1)	Jiang Yuliang
351	Hami Zhongshan North Road Securities Branch	No. 17, Zhongshan North Road, Hami City, Hami District, Xinjiang	Zhang Jun
352	Ningbai Beilun Minshan Road Securities Branch	No. 967, Block 23, No. 967, Xinqiminshan Road, Beilun District	Liu Hengyi
353	Chongqing Ruitian Road Securities Branch	No. 182-18, Ruitian Road, Yuzhong Road, Chongqing City	Yang Daieong
354	Shanghai Jingang Road Securities Branch	Room 1110-1111, 11/F, No. 299, Jingang Road, China (Shanghai) Pilot Free Trade Zone	Zheng Chifei
355	Yudu Lianxi Road Securities Branch	12-1#109, Xuefu Commercial Street, Lianxi Road, Gongjiang Town, Yudu County	Zhu Yong
356	Qingdao Qinling Road Securities Branch	No. 107, Tower House, Haiyun Dongfang Building, No. 15, Qinling Road, Laoshan District, Qingdao City, Shandong Province	Wang Xingdong

Note: Branches numbers 331-356 are newly established in 2015.



SECTION III COMPANY PROFILE

V. SUBSIDIARIES AND BRANCHES

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

Name	Address	Date of incorporation	Registered Capital	Legal Representative	Percentage of shareholding	Telephone
Galaxy Futures	Unit 1302, 13/F, Block 1, No. 16 Zhaowai Street, Zhaoyang District, Beijing	25 December 2006	RMB 1.2 billion	Yao Guang	83.32%	010-68569588
Galaxy Capital	2/F, Tower C, 1st Building, 35 Finance Avenue, Xicheng District, Beijing	21 October 2009	RMB 1 billion	You Chun	100%	010-83571391
Galaxy International Holdings	Unit 3501-07, 3513-14, 35/F, Cosco Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong	9 February 2011	HKD 1 billion	Liu Hongye	100%	(852) 36986888
	Unit 2701-3, 27/F, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong					
Galaxy Jinhui	Room 607, Block C, International Enterprise Building, No. 35 Finance Avenue, Xicheng District, Beijing	25 April 2014	RMB 500 million	Yin Yanwu	100%	010-83571302
Galaxy Yuanhui Investment Co., Ltd.	Room 2403, 24/F, 99 Fucheng Road, China (Shanghai) Pilot Free Trade Zone	10 December 2015	RMB 350 million	Chen Jing	100%	010-66568983



SECTION III COMPANY PROFILE

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

No.	Branches	Address	Person In Charge	Date of incorporation shown on business license	First date of obtaining licence	Working Capital (RMB)	Telephone
1	Beijing Branch	5/F, No. 111 Tai Ping Qiao Avenue, Xicheng District, Beijing	Zhao Hongliang	26 July 2011	22 November 2011	5 million	010-58872713
2	Guangdong Branch	Unit 01-03, 25/F, North Tower, No. 988, Guangzhou Avenue Central, Tianhe District, Guangzhou	Chen Zhihui	22 July 2011	22 November 2011	5 million	0760-88361776
3	Hunan Branch	No. 327, Section 2, Middle Furong Road, Yuhua District, Changsha	Deng Likang	23 August 2011	29 November 2011	5 million	0731-85503740
4	Shanghai Branch	Unit 04, 4/F, No. 99, Fucheng Road, Pudong New District, Shanghai	Jiang Yuesheng	29 July 2011	29 November 2011	5 million	021-20252659
5	Zhejiang Branch	28/F, Block 3, Fanhai International Center, Jianggan District	Li Chaoyang	15 July 2011	15 December 2011	5 million	0571-87048157
6	Shenzhen Branch	Unit 4301-02, Block A, Jingji 100 Building, No. 5016 Shennan East Road, Luohu District, Shenzhen	Zhang Qinghua	21 June 2011	29 November 2011	5 million	0755-82033335
7	Tianjin Branch	Room 601-8, No. 3 Kaihua Road, Huayuan Industry Area, Tianjin	Zhong Jihong	11 March 2013	3 May 2013	5 million	022-83830348
8	Henan Branch	No.168 Jiankang Road, Jinshui District, Zhengzhou	Wang Jiangbo	4 March 2013	3 May 2013	5 million	0371-63969218
9	Qinghai Branch	No.106-26, Changjiang Road, Chengzhong District, Xining	Feng Qing	11 March 2013	3 May 2013	5 million	0971-8261669
10	Ningbo Branch	7/F, No. 6 Daqing South Road, Jiangbei District, Ningbo	Teng Kezhi	12 March 2013	3 May 2013	5 million	0574-87681167
11	Shanxi Branch	4/F, West Wing, Yingxi Building, No. 53 Yingze West Street, Wanbolin District, Taiyuan	Zhao Songlin	14 March 2013	3 May 2013	5 million	0351-8611197
12	Yunnan Branch	9/F, Shunchengdongta Building, No.11 Dongfeng West Road, Wuhua District, Kunming, Yunan	Wei Yuhong	13 March 2013	3 May 2013	5 million	0871-63645475
13	Dalian Branch	B&C&D, 5/F, Elevator Building, No. 620 Huanghe Road, Shahekou District, Dalian	Guo Qing	13 March 2013	3 May 2013	5 million	0411-84313089
14	Jiangsu Branch	Room 304, 3/F, Fuxinguoji Building, No. 359 Hongwu Road, Nanjing	Wang Desheng	13 March 2013	3 May 2013	5 million	025-86507045



SECTION III COMPANY PROFILE

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



SECTION III COMPANY PROFILE

No.	Branches	Address	Person In Charge	Date of incorporation shown on business license	First date of obtaining licence	Working Capital (RMB)	Telephone
28	Qingdao Branch	No. 100E, Nanjing Road, Shinan District, Qingdao	Yu Jun	15 April 2013	3 May 2013	5 million	0532-82962152
29	Shaanxi Branch	2/F, Commercial Building of China Railway Group, No. 51, East Youyi Road, Beilin District Xi'an	Liu Yuenian	24 April 2013	15 May 2013	5 million	029-87884455
30	Xinjiang Branch	No. 90, Jiankang Road, Jiefang North Road, Tianshan District, Urumqi, Xinjiang	Kong Lingguo	15 May 2014	9 June 2014	5 million	0991-2352257
31	Hainan Branch	13/F, Qiongtai Building, No. 83 Binhai Avenue, Longhua District, Haikou, Hainan Province	Wen Yongchun	7 May 2014	28 May 2014	5 million	0898-68500695
32	Gansu Branch	Room 308, 3/F, Bi Ke Xin Building, No. 77 Qingyang Road, Chengguan District, Lanzhou, Gansu Province	Ning Zhiyong	8 May 2014	28 May 2014	5 million	0931-8860651
33	Ningxia Branch	No. 126, Jiefang West Street, Xingqing District, Yinchuan	Chen Shining	29 April 2014	28 May 2014	5 million	0951-5051939
34	Guizhou Branch	A58 of Floor Semi-1, D348 of Floor 1, Block B, Jinyang Gantu Center Plaza, Guan Shan Hu District, Guiyang	Luo Wei	22 May 2014	9 June 2014	5 million	0851-87973559
35	Guangxi Branch	3/F, No. 12-2, Yuanhu South Road, Qing Xiu District, Nanning	Wang Dongrong	14 May 2014	5 June 2014	5 million	0771-2262718
36	Tibet Branch	No. 2, Chaoyang Road, Taiyang Island, Chengguan District, Lhasa, Tibet Autonomous Region	Li Zexiao	15 May 2014	9 June 2014	5 million	0891-6343149



SECTION 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

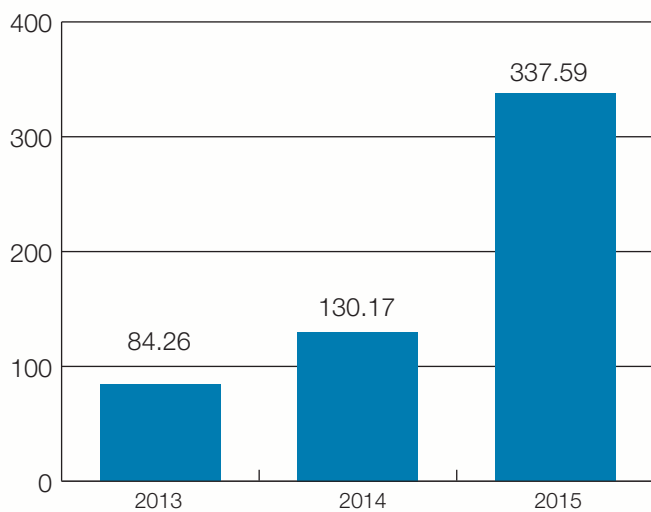
Items	2015	2014	Increase (%)	2013
Operating results (RMB'000)				
Revenue and other income	33,759,274	13,016,560	159.36%	8,426,229
Profit before income tax	13,133,971	5,003,299	162.51%	2,893,018
Profit for the period — attributable to owners of the Company	9,835,510	3,770,728	160.84%	2,135,247
Cash flow (used in) from operating activities	(30,317,049)	(21,905,946)	NA	(7,936,462)
Earnings per share (RMB per share)				
Basic earnings per share	1.11	0.50	122.00%	0.31
Diluted earnings per share	N/A	N/A	N/A	0.31
Profitability ratios				
Weighted average return on net assets	21.33%	13.91%	Increase by 7.42 percentage points	9.69%
<hr/>				
Items	As at 31 December 2015	As at 31 December 2014	Increase (%)	As at 31 December 2013
Scale indicator (RMB'000)				
Total assets	300,655,551	180,025,707	67.01%	78,284,368
Total liabilities	243,406,135	150,689,787	61.53%	52,862,701
Accounts payable to brokerage clients	117,992,209	78,407,509	50.49%	36,451,282
Equity attributable to owners of the Company	56,913,566	29,023,797	96.09%	25,174,829
Total share capital (in thousand shares)	9,537,259	7,537,259	26.53%	7,537,259
Net assets value per share attributable to owners of the Company (RMB per share)				
	5.97	3.85	55.06%	3.34
Gearing ratio (%)¹	68.66%	71.13%	Decrease by 2.47 percentage points	39.23%

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

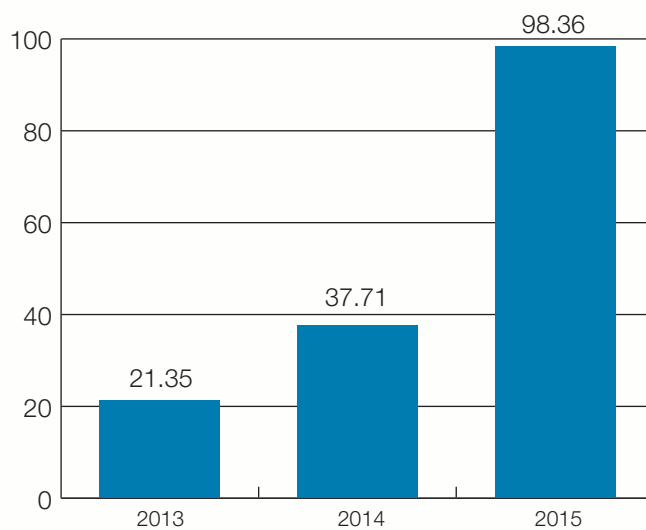


SECTION IV SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

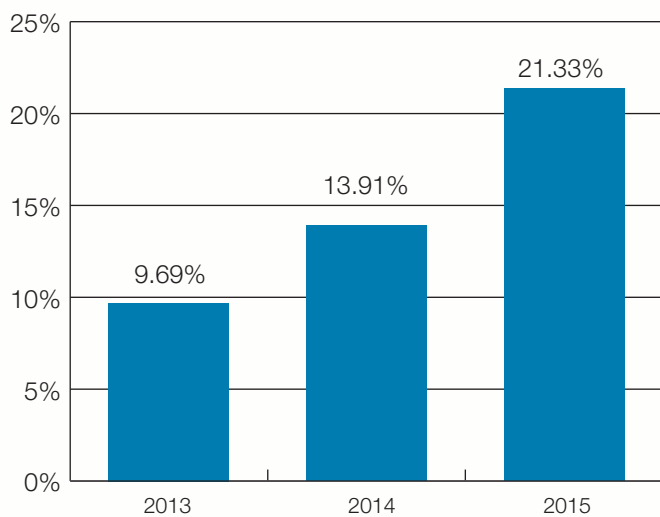
**Revenue and other income
(RMB in 100 million)**



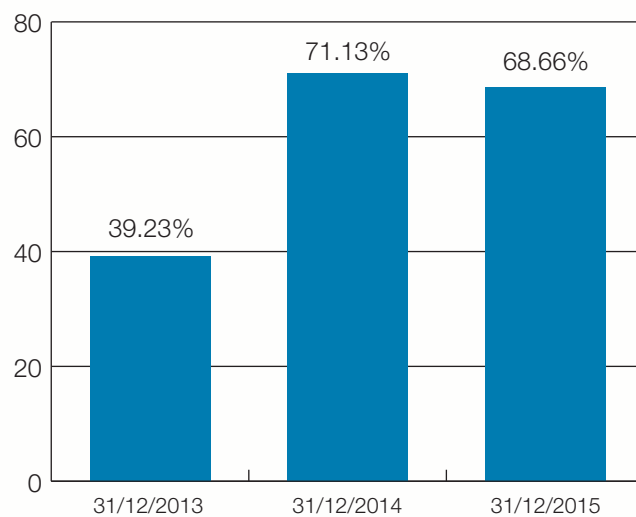
**Profit for the year – attributable to owners
of the Company
(RMB in 100 million)**



Weighted average return on net assets (%)



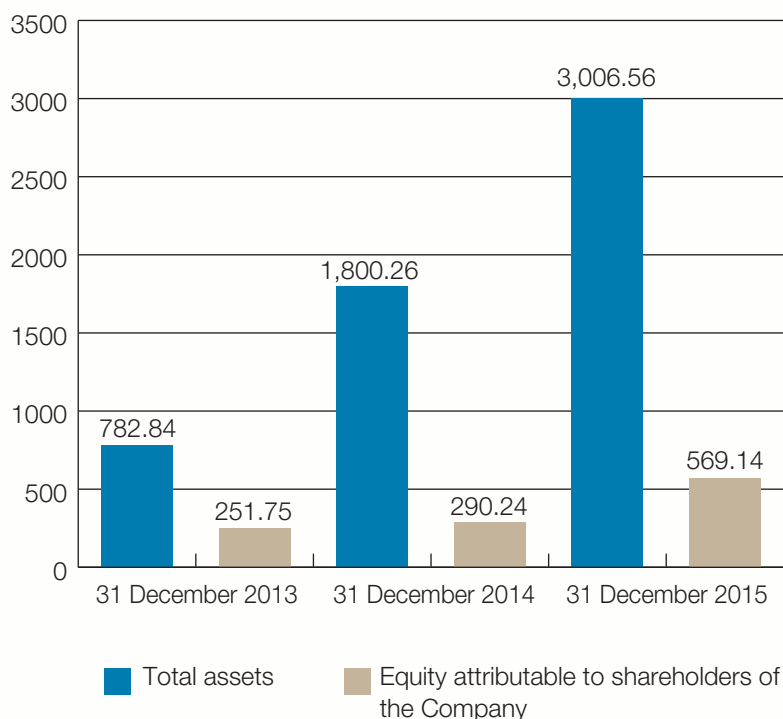
Gearing ratio (%)





SECTION IV SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

Scale indicator (RMB in 100 million)



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

Profit status (RMB in thousand)

	2015	2014	2013	2012	2011
Revenue and other income	33,759,274	13,016,560	8,426,229	5,961,560	6,431,039
Total expenses	20,625,303	8,013,606	5,532,877	4,075,247	4,170,061
Profit before income tax	13,133,971	5,003,299	2,893,018	1,886,313	2,260,978
Profit for the period — attributable to owners of the Company	9,835,510	3,770,728	2,135,247	1,419,779	1,578,130

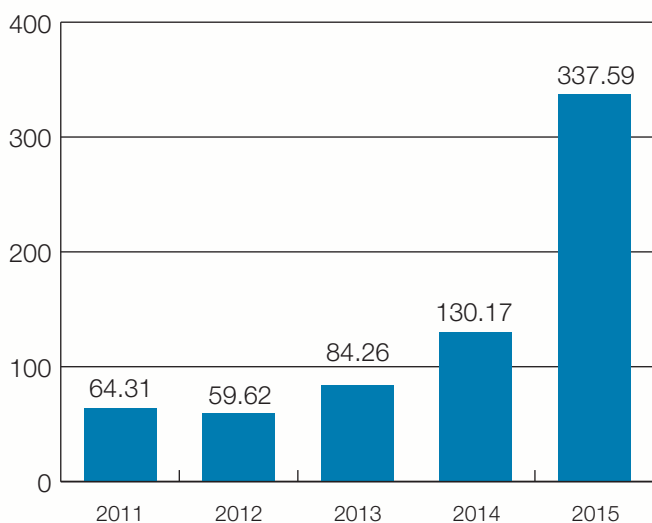
Condition of assets (RMB in thousand)

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013	As at 31 December 2012	As at 31 December 2011
Total assets	300,655,551	180,025,707	78,284,368	64,295,585	59,214,735
Total liabilities	243,406,135	150,689,787	52,862,701	46,736,737	43,087,940
Accounts payable to brokerage clients	117,992,209	78,407,509	36,451,282	39,745,629	41,231,089
Equity attributable to owners of the Company	56,913,566	29,023,797	25,174,829	17,429,859	16,004,139
Total share capital	9,537,259	7,537,259	7,537,259	6,000,000	6,000,000

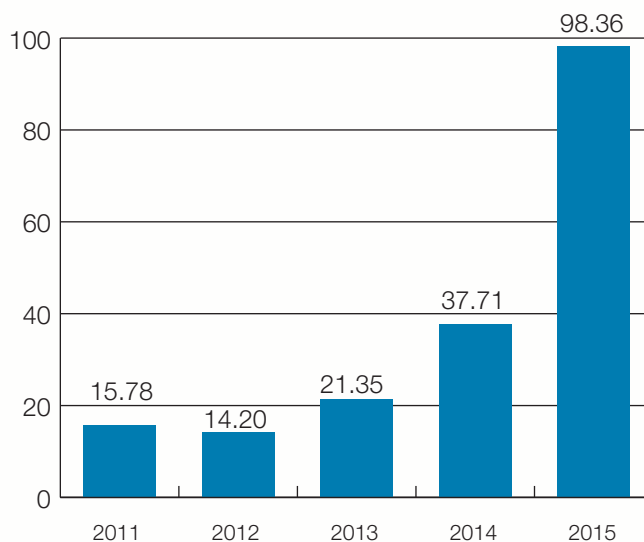


SECTION IV SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

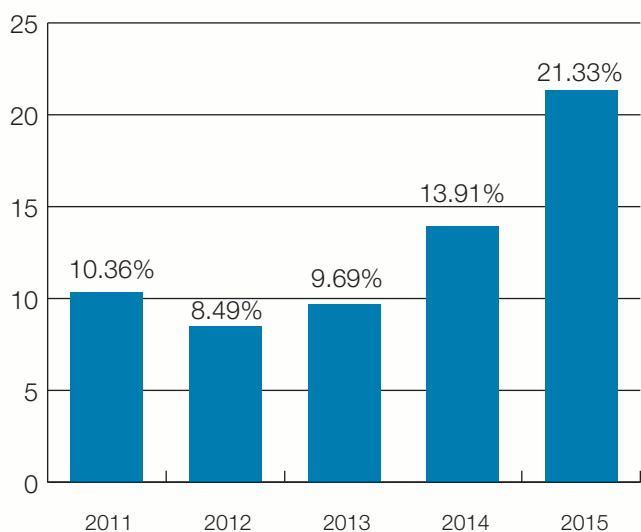
Revenue and other income
(RMB in 100 million)



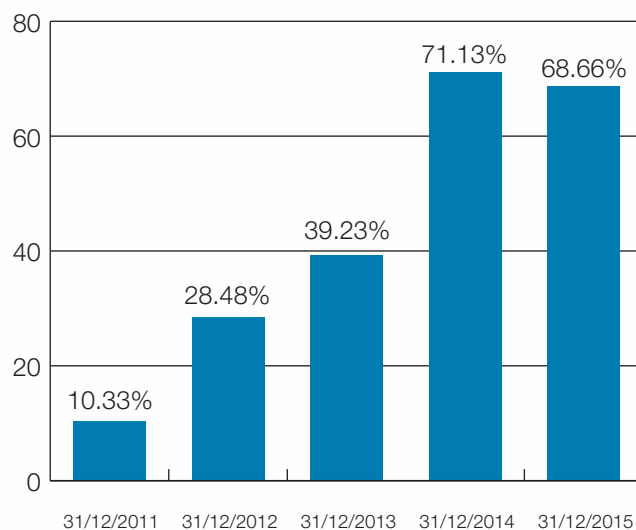
Profit for the year – attributable to owners of the Company
(RMB in 100 million)



Weighted average return on net assets (%)



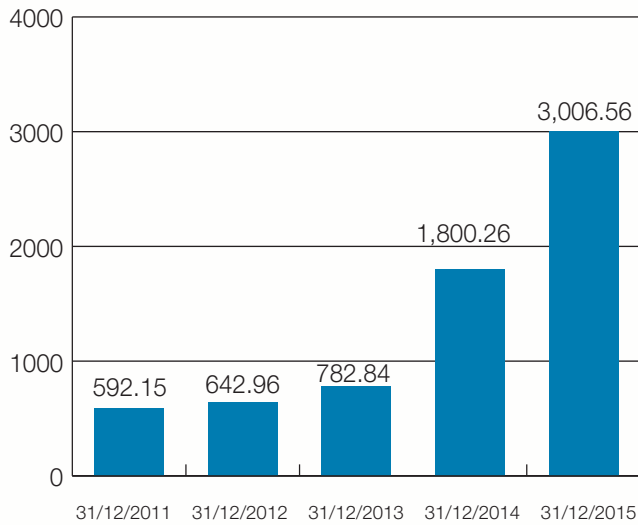
Gearing ratio (%)



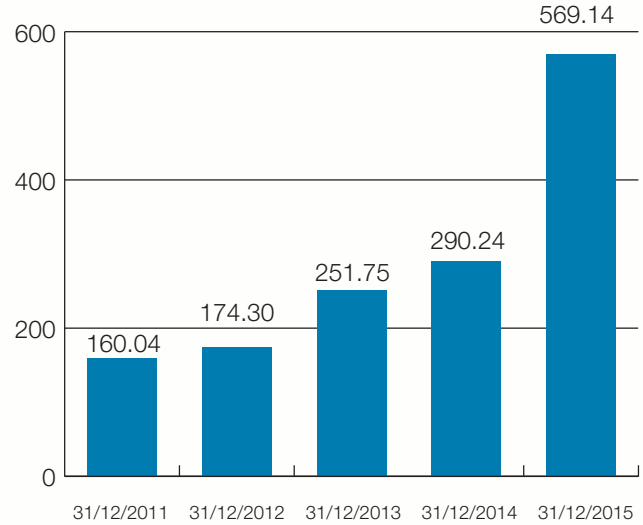


SECTION IV SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

Total assets
(RMB in 100 million)



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



Key financial indicators

	2015	2014	2013	2012	2011
Basic earnings per share (RMB/share)	1.11	0.50	0.31	0.24	0.26
Diluted earnings per share (RMB/share)	N/A	N/A	0.31	N/A	N/A
Weighted average return on net assets	21.33%	13.91%	9.69%	8.49%	10.36%
Gearing ratio (%)	68.66%	71.13%	39.23%	28.48%	10.33%
Net assets value per share attributable to owners of the Company (RMB per share)	5.97	3.85	3.34	2.90	2.67



SECTION IV SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

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

There is no difference between the net profits for 2015 and 2014, the net assets as of 31 December 2015 and 31 December 2014 included in the consolidated financial statements of the Group prepared in accordance with IFRSs and those items for and as of the same periods included in the consolidated financial statements of the Group prepared in accordance with PRC GAAP.

III. NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS

At the end of the Reporting Period, the net capital of the Company was RMB60.638 billion, representing a 138.15% increase as compared with RMB25.462 billion as at 31 December 2014. During the Reporting Period, each kind of risk control indicators including net capital met regulatory requirements.

Items	2015	2014
Net capital	60,638,000,316.98	25,462,313,021.94
Net assets	56,257,728,080.35	28,794,892,185.66
Total Risk Capital Reserves	4,837,816,642.25	3,303,616,241.43
Net capital/total Risk Capital Reserves	1,253.42%	770.74%
Net capital/net assets	107.79%	88.43%
Net capital/liabilities	50.96%	36.44%
Net assets/liabilities	47.28%	41.21%
Proprietary equity securities and securities derivatives/net capital	29.39%	12.95%
Proprietary fixed income securities/net capital	79.88%	57.27%



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

I. ECONOMIC ENVIRONMENT AND MARKET CONDITIONS DURING THE REPORTING PERIOD

In 2015, the differential development of the global economies remained. Developed economies apparently showed signs of recovery while the overall performance of emerging economies was far from satisfactory. The US economy continued to recover with an unemployment rate reaching the lowest level since the subprime mortgage crisis, and the process of an interest rate rise began. The Eurozone started to rebound from the bottom under the stimulus of the quantitative easing policies continuously adopted by the European Central Bank, but the basis of economic recovery remained fragile. The Japanese economy saw no recovery and slipped into technical recession. With the growth rate of emerging economies slowing down, and under the influence of various negative factors such as the expectation of interest rate rise by the Federal Reserve and the continuing downturn of bulk commodities prices, the prospect of growth seemed not to be optimistic. The Chinese economic growth further slowed down with excess capacity continuing to clear up, and entered into a new stage of supply-side reform, thus giving rise to a more healthy development of economic structure.

In 2015, the stock market in China fluctuated significantly while the bond market remained bullish. In terms of the stock market, it surged dramatically with the help of leveraged capitals in the first half of the year. The de-leveraging in mid-June triggered the abnormal fluctuation of the stock market. Thanks to strong national bailout measures, the stock market stabilized with an annual increase of 9.41% for the SHCI. In terms of trading, the total trading turnover of A Shares in 2015 was RMB253.30 trillion. The average trading turnover in a single day reached RMB1,038.1 billion, increasing substantially by 244.77% year-on-year. For equity financing, listed companies actually raised RMB1,443.2 billion through IPO, additional offer and placing, representing a significant increase of 92.56% year-on-year. For margin financing and securities lending, the balance of margin financing and securities lending reached the peak of RMB2,273.0 billion in June and was RMB 1,174.3 billion as at the end of 2015, which increased slightly by 14.50% year-on-year. For the bond market, the yield to maturity of 10-year fixed rate treasury bond in the inter-bank bond market dropped substantially by 80.07 bps, closing at 2.8212%. In 2015, the number of newly issued bonds was 16,540, with the principal amounts of RMB24.28 trillion. As at the end of December 2015, there were a total of 19,458 bonds in issue with balances of RMB48.50 trillion, representing a year-on-year increase of 74.57% and 35.25%, respectively.

II. ANALYSIS OF MAJOR BUSINESS

In 2015, the Chinese capital market experienced a severe challenge with ups and downs. However, all staff of the Company responded actively by guaranteeing the orderly execution of accounts opening, transaction, settlement, funds raising and other work, and protecting the client's assets security and the interest of the Company to the greatest extent. As a result, it won a good reputation and recorded excellent operating results. The revenue and other income amounted to RMB33.759 billion, representing an increase of 159.36% as compared with the corresponding period of last year. This hit a record high in the history.

(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 RMB25.574 billion, representing an increase of 172.31% as compared with 2014.

Market environment

In 2015, the Chinese securities market fluctuated significantly. The annual trading volume and the daily average trading turnover of stock and funds reached about RMB262.78 trillion and RMB1.08 trillion, respectively, representing an increase of 247.62% as compared with 2014. Due to the effects of Internet finance, "one person with multi-accounts" and the competition strategy of low commission rates as adopted by certain securities brokers, competition in the industry further intensified. The overall level of commission of the industry showed the trend of rapid decline. Affected by the market trend, the financing demand in the industry surged in the first half of the year and declined rapidly in the second half of the year. The regulatory environment and business rules of the margin financing and securities lending industry were stringent at the very beginning and then became loose later. Major securities brokers made significant adjustments to the rules of the margin financing and securities lending business and the form of their implementation after the end of three quarters, and the balances of the margin financing and securities lending business as a percentage of the market value will gradually stabilize.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Operation initiatives and results

The Company actively adopted a big transaction strategy for its securities brokerage business to promote business transformation. It carried out a differential competitive strategy and strengthened the establishment of the customer services system to build the service brand of “Eternal Gain in Wealth”. It increased customer satisfaction and stickiness to optimize the income structure, customer structure and transaction structure gradually, and concentrated on promoting the development of account opening business, margin financing and securities lending business and financial products selling business so that good operating results were achieved. The Company increased the efforts in Internet innovation, and optimized the business flow, making itself become one of the first batch of pilot securities brokers that could achieve “one person with multi-accounts”. It also became the first securities broker opening accounts off site at 365*7*24 hours, the first batch of securities brokers opening accounts on WeChat and the first batch of securities brokers introducing QR codes online through the cooperation of banks and securities brokers, which effectively optimized customers’ experience and achieved effective online and offline integration by making use of the benefits of internet business and branch layout. Besides, the Company actively promoted the development of PB business (Prime Broker, prime brokerage business), accurately capitalized on the transformation of brokerage business into PB brokerage business, established a comprehensive private equity services system, increased the efforts in the marketing of custodian and outsourcing services, and improved the risk evaluation system on products to provide high-end institutional clients with centralized custodian and clearing, back-office operation, leveraged financing, funds raising and other one-stop comprehensive financial services, which won a good reputation for the Company in the industry.

Securities brokerage of the Company

Item	2015	2014	Increase/ Decrease
Stocks and funds trading turnover (RMB in 100 million)	271,621.83	77,113.75	252.24%
Number of clients (in 10 thousand)	750.92	593.38	26.55%

For margin financing and securities lending business, the Company actively managed and fully prevented and controlled risks on the margin financing and securities lending business. It effectively reminded clients of paying their attention to credit account risks and maintaining the guarantee ratio of accounts through the timely development of a real-time alert system on the margin financing and securities lending business. It developed the functions for forming proposals on bulk closing position and the delivery of bulk entrustment on closing position, which effectively improved the efficiency and success in risks handling. Based on different conditions of clients, the Company made targeted margin call plans and strategies on closing positions for clients to deal with the impact of market plunge in a steady and proper way. It constantly improved and introduced products at the right time for margin financing and securities lending, cashing out and IPOs. A total of 52,669 clients participated in IPOs through credit accounts in the whole year with RMB102.004 billion used for subscription. 21,139 clients won the lot with a lot-winning rate of 40.16%. It increased the efforts in the marketing of margin and securities refinancing and introduced securities lending products with periods. During the Reporting Period, the Market Share of the Company in the securities margin trading market reached a peak of 11.70%. It designed plans on products and services for transforming margin financing and securities lending into loans and developed and introduced strategies on private placement, hedging and arbitrage. In addition, it established a margin financing and securities lending service team to focus on improving the internal service ability.

As at the End of the Reporting Period, the balance of margin financing and securities lending of the Company was RMB69.127 billion, representing an increase of 14.70% as compared to 2014. The Market Share was 5.89%, ranking the second in the industry. The number of credit accounts was 288,800, which increased by 26.81% as compared to the previous year. The Market Share of newly opened accounts was 7.17%, ranking the first in the industry. During the Reporting Period, the Market Share of financing transactions was 6.99%, ranking the second in the industry. The Company was also awarded the “Best Securities Broker for financing services in China in 2015” in the assessment and selection activity of the “Best Wealth Management Institutions in China in 2015” organized by the Securities Times.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Margin financing and securities lending business of the Company

Major quantitative indicators	End of 2015	End of 2014	Increase/ Decrease	Market share in 2015	Ranking in 2015
Number of credit accounts opened	288,794	227,746	26.81%	7.17%	First
Financing trading turnover (RMB in 100 million)	45,304.94	11,634.10	289.42%	6.99%	Second
Balance of margin financing and securities lending (RMB in 100 million)	691.27	602.67	14.70%	5.89%	Second

The research and institutional sales and trading business of the Company developed steadily. In the research business, the Company established a team with 79 analysts in macro economy, strategies, financial engineering, fixed revenue and other more than 20 industries. It generally covered key research areas and followed more than 300 target securities. During the Reporting Period, the Company released 2,689 reports on macro economy, strategies, financial engineering, fixed revenue and industries as well as the depth of companies. In the assessment and selection of the best analyst by New Money in 2015, four teams, namely petrochemical engineering, textile and apparel, machinery and military engineering, were on the list. The teams for transportation and pharmaceuticals, together with the above four teams, added up to six teams, and were nominated. For institutional sales and trading, the Company actively explored business transformation and innovation through strengthening comprehensive services provided to fund companies. During the Reporting Period, it signed contracts with a total of 22 insurance institutional clients, focused on serving nine online trading clients and 44 potential clients. It also provided 33 current QFII institutions with daily research and sales services.

Prospects for 2016

In the securities brokerage business, the traditional securities brokerage business is experiencing significant reforms. It has become a trend to establish a comprehensive financial services platform for the purpose of providing clients with one-stop financial solutions. The Company will fully consolidate the client basis, regulate clients' information and further integrate client services through improving the establishment of the client management services platform. It will improve the layered service system for clients and lay a solid foundation for client behavior analysis, demand classification, strategic supporting, fine services, as well as the services for and resources allocation among key clients to improve the efficiency of business operation and increase customer satisfaction as well as consolidate its market position. The standardization and expansion of private equity products will accelerate the development of the PB business of securities brokers. The PB business is likely to become a new profit growth point of securities brokers in future.

In the margin financing and securities lending business, the Company will give priorities to “fostering professional investors, increasing the efforts in products design and upgrading client services system” and focus on “three strengthenings and one optimizing” work on clientele of margin financing and securities lending, namely strengthening active risks control in businesses, strengthening expansion of margin financing and securities lending businesses, strengthening layered services for clientele of margin financing and securities lending and optimizing business processes, to improve clients' experience and to maintain the competitiveness of the Company in the margin financing and securities lending business.

For research and institutional sales, the Company will continue to vigorously develop institutional clients, focus on the management of clients relation in the whole process and deeply explore the client demands for multi-layered comprehensive financial services so as to provide all clients of the Company with professional research advisory and other value-added services. For sales business, the Company will make good classification of clients and products, effectively matching products with sales channels and actively integrate research services and product sales, with a view to boosting its competitiveness.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

2. Futures brokerage

Market environment

In 2015, the Chinese futures market was still in the process of rapid development. The varieties of financial futures and options greatly expanded and the supporting policies with respect to the listing of crude futures were all released. Cloud platforms for online accounts opening used in the futures industry were put online and futures companies were approved to enter the interbank bond market. The size of subordinated bonds financing in the industry amounted to approximately RMB3.0 billion. The futures market also formally entered a period of rapid reforms along with the capital market. Since August 2015, regulatory authorities made adjustments to the rules of trading of stock index futures due to significant fluctuations in the securities market. The transaction size of financial futures greatly shrank and the development of innovative products was hindered. The overall development of the futures market came to a standstill in the second half of the year.

Operation initiatives and results

During the Reporting Period, Galaxy Futures developed a strategy with the wealth management business as its development priority. The participation in futures transactions by active industrial clients was transformed from pure hedging activities into the direction of wealth management business with “risks management industrial funds (products)” as the core activities. It vigorously promoted the assets management business and created its own management products and research, development and investment teams to enhance its ability in the sale of comprehensive financial products. While serving insurance and other large financial institutions, it increased the efforts in the development of public funds to expand its market share. Meanwhile, it increased the promotion of SSE 50ETF options and actively participated in competitions organized by stock exchanges which laid a solid foundation for the future development of the futures business. During the Reporting Period, the revenue and other income from Galaxy Futures amounted to RMB874 million, representing an increase of 27.83% as compared with 2014. The daily average interest of futures brokerage customers amounted to RMB15.239 billion; the trading volume and turnover of the futures brokerage business amounted to 86 million and RMB15.05 trillion calculated as one side of a trade only; the number of branches increased from 28 to 29; the rating of Galaxy Futures increased from A to AA in the classification and evaluation of futures companies by the CSRC.

Galaxy Futures Business

Item	2015	2014	Increase/ Decrease
Daily average interest of customers (RMB in 100 million)	152.39	92.38	64.96%
Trading volume (in 100 million)	0.86	0.69	24.64%
Trading turnover (RMB in trillion)	15.05	8.00	88.13%

Prospects for 2016

In 2016, Galaxy Futures will adhere to the business development with wealth management and risk management as its principal business, with a view to achieving business transformation and upgrade, as well as the diversification of profits. It will strengthen the research and development of assets management products mainly determined by its own strategies and expand product lines. It will also put forward the synergy development of option business, overseas business, futures IB business and various principal businesses. In 2016, Galaxy Derivative plans to deeply explore the business model such as “cooperation for the issuance of assets management products, private placements and diversified operation” and strengthen the establishment of management system and business operation.



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 RMB4.696 billion, representing an increase of 234.92% as compared with 2014.

Market environment

In 2015, the economic fundamentals in China were sluggish. The securities market fluctuated significantly, with the stock price plummeting rapidly due to de-leveraging after it surged in the one-side market, which gave a profound impact on the industry and market participants. Due to the effect of various factors such as RRR and interest rate cut by the central bank of China, capital easing, stock market adjustment and capital flow to the bond market, the yield of bonds investment declined significantly.

Operation initiatives and results

(1) *Equity investment*

During the Reporting Period, the Company continued to make use of the advantage of its proprietary equity investment business as a traditional business. It selectively chose investment categories and moderately increased positions through the participation in private placements and purchases in the secondary market, thus making favourable investment returns. In addition, the Company kept on exploring various means and methods, including quantitative trading and stock options, to create new profit growth points.

(2) *Bond investment*

The Company strived to take advantage the changes in economic trends and quickly developed measures in response to such changes. It seized the opportunities brought by the trend through expanding the size of bond positions, extending portfolio duration and increasing financing leverages in order to improve the performance of investment portfolios. Facing the increasing credit risks, the Company stepped up its efforts to screen and assess investment subjects, and strived to be selective in its choice, closely follow up the situation closely and adjust positions in a timely manner, thus better avoiding investment risks. As at the End of the Reporting Period, the size of the dealer-quoted bond repurchase business (the product “Daily Profits” (“天天利”)) was expanded from RMB8 billion to RMB8.384 billion through scientific judgment and early arrangements, which effectively dealt with the impact brought by the frequent issuance of news shares. The number of investors increased from 274,000 to 372,000, ranking the first in the industry. With continuous efforts, the Company was named as the “Outstanding Bond Dealer in 2015” by the SSE.

(3) *Derivatives investment*

For the derivatives investment business, the Company actively prepared for innovative businesses. During the Reporting Period, it completed the work relevant to the application for the qualification to conduct proprietary gold business, designed credit assets-backed plans for dealer-quoted securities repurchase and actively studied and prepared for linked income receipt businesses. The pledged quotation repurchase business (the product “Jin Zi Lai” (“金自來”)) on the SZSE was officially opened to all clients of the Company on 17 June 2015. The number of customers and business scale grew steadily. As at the End of the Reporting Period, the total number of customers was 29,697 with balance amounting to RMB2,407 million. The securities-based lending transaction business (the product “Jin Shi Yu” (“金時雨”)) recorded an initial transaction amount of RMB457 million. As at the End of the Reporting Period, a total of 527 tranches were issued for the income receipt business (the product “Galaxy Jin Shan” (“銀河金山”)).



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Prospects for 2016

For the equity investment business, the Company will focus on the dynamic management of its proprietary positions. It will link the overall level of its proprietary positions with the market point based on the overall arrangement and capitals and strive to achieve continuous profitability of its proprietary businesses through reasonable selection of stocks and control of positions. In addition, it will consider the investment prospects of all projects in private placements as a whole and properly increase the investment in the secondary market to obtain absolute revenues. The Company will also gradually conduct quantitative strategic trading to create relatively stable and sustainable sources of income through the medium-and low-risk strategic transactions under huge capitals allocation.

For the Bond investment business, the Company will continue to assess the market trend from the top to the bottom to strictly prevent credit risks and to focus on investing in medium to high rating credit bonds. It will closely follow PPN (private placement note, a non-public placing of debt financing instrument), perpetual bonds, assets-backed securities and other products. It will flexibly participate in convertible bonds, exchangeable bonds, graded funds A and funds for IPOs to boost investment results. It will strengthen the screening of the credit qualification of new bonds for the dealer-quoted bond repurchase business (the product “Daily Profits” (“天天利”)), facilitate the SSE to broaden the categories of pledges and actively develop customized cash products.

The derivatives investment business will continue to vigorously expand exchange businesses, including the market making of listed funds, futures and spot profiting, Shenzhen-based pledged quotation repurchase business (the product “Jin Zi Lai” (“金自來”)), securities-based lending transaction and dealer-quoted securities repurchase. It will actively explore OTC businesses and develop linked income receipt products, including the income receipt “Galaxy Jin Shan” (“銀河金山”).

(ii) Investment banking business

During the Reporting Period, the revenue and other income of the Group from investment banking business amounted to RMB822 million, representing a decrease of 19.85% as compared with 2014.

1. Equity financing and financial advisory

Market environment

In 2015, the A Share equity financing market fluctuated. The issuance of new shares sped up in the first half of the year. However, due to the abnormal fluctuation of stock market in the second half of the year, IPOs were suspended for four months, the approval of refinancing slowed down and the public offering projects such as convertible bonds were once suspended. Given that IPO projects could not be proceeded as expected and the approval of refinancing projects was slower than expected, those factors had an adverse effect on the revenue and size of the equity financing business of the Company.

Operation initiatives and results

Based on the analysis on the development trend of the industry, the Company actively made business layout and completed its transformation to the diversification of business types and income structure, which enabled it to possess the ability to provide seamless and professional services covering multiple investments and financing to clients.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

(1) Traditional sponsorship and underwriting business

As at the End of the Reporting Period, the Company completed one IPO project, nine non-public issuance projects and two preferred share projects. The amount of equity securities underwritten as a lead underwriter was RMB28.787 billion, ranking the 11th in the industry. As at the End of the Reporting Period, two IPO projects, five non-public issuance projects and one convertible bonds project of the Company with a total financing size of over RMB10 billion had been approved at a meeting for issuance.

(2) Merger and acquisition and restructuring business

During the Reporting Period, the Company completed seven significant asset restructuring projects (four of which were merger and acquisition, restructuring and fund-raising projects). The acquisition of Cronos, the 8th largest container leasing company in the world, by Bohai Leasing was successfully completed. The project was the other overseas acquisition project that the Company undertook for Bohai Leasing after it acted as an independent financial advisor to Bohai Leasing in connection with its overseas acquisition of Seaco in 2013. The total size of the two transactions was nearly RMB12 billion. It set a good image of the Company in undertaking overseas merger and acquisition projects. As at the End of the Reporting Period, two merger and acquisition, restructuring and fund-raising projects had been approved at a meeting for implementation/issuance.

(3) Asset securitization business

The Company realized full coverage of asset securitization business through various means. ① During the Reporting Period, it successfully launched two corporate ABS (Asset Backed Securitization) projects under the centralized management of the CSRC named “Galaxy Ruiyang Heat Supply Asset-Backed Scheme (銀河瑞陽供熱資產支持專項計劃)” and “Galaxy Daqing Heat Supply Asset-Backed Scheme (銀河大慶供熱資產支持專項計劃)” with a size of RMB900 million and RMB2.9 billion, respectively. The former was listed on the SSE and the latter was an asset securitization product in urban heat supply sector under infrastructure with the largest financing size in China since the implementation of the new regulations. ② It successfully launched one ABN (Asset-Backed Notes) project under the centralized management of the National Association of Financial Market Institutional Investors named “Luck Air Asset-Backed Note Project (祥鵬航空資產支持票據項目)” with a size of RMB2 billion, which was honored as an “ABN Case with Innovative Significance” by the Securities Association of China. ③ It acted as the sole and lead underwriter and successfully launched five projects in relation to the 2015 Tranche 5 Credit Loan Asset-Backed Securities of China Development Bank (國開行2015年五期信貸資產支持證券) under the centralized management of the China Banking Regulatory Commission with a size of RMB45.678 billion and ranked fourth in the industry. On 24 March 2015, in the “2015 Annual Conference of China Securitization Forum”, two corporate ABS projects, namely the “Right to Incomes from the Transportation Service Fee of Special Lines of Huaibei Mining Railway (淮北礦業鐵路專用綫運輸服務費收益權)” and the “Hanhua Small Loan Asset-Backed Scheme (瀚華小貸資產支持專項計劃)”, were both granted with the Ten Best Transaction Awards. As at the End of the Reporting Period, three corporate ABS projects of the Company with a total size of RMB2.6 billion had passed the review for issuance.

Investment banking business

Item	2015	2014	Increase/ Decrease (%)
Amount of equity securities underwritten by the Company as the lead underwriter (RMB100 million)	287.87	313.23	-8.10%
Number of equity securities underwritten by the Company as the lead underwriter	12	15	-20.00%
Number of financial advisory projects	72	79	-8.86%

Note: The amount of equity securities underwritten by the Company as the lead underwriter includes the amount of equity securities underwritten by the Company as the lead underwriter through IPOs, private placements, public additional offerings, rights issue and the issuance of preferred shares.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Prospects for 2016

In 2016, the Company will closely follow up the progress of the registration-based IPO system for the equity financing business and further strengthen the control on project quality and risks. While strictly controlling risks, it will continue to consolidate and expand traditional sponsorship and underwriting businesses and increase the undertaking and development of quality IPO projects. It will actively develop refinancing businesses, increase the efforts in the expansion of merger and acquisition and restructuring businesses and explore business opportunities for corporate bonds. Meanwhile, it will explore innovation in transaction and profit model and grasp the opportunities for transactions.

2. Bond financing

Market environment

The year 2015 was the year that the Chinese bonds market apparently sped up its growth on the path of regulated development. The total number of bonds issued increased significantly. The reform and innovation of the issuance of enterprise bonds sped up. Corporate bonds realized an explosive growth under the background of new regulations introduced by the CSRC. 1,305 bonds with an amount of RMB1,002.709 billion were issued, representing 6.94 times of that of 2014. Medium-term notes, short-term financing bonds and non-public targeted financing instruments also made rapid development. The development of various credit bonds saw increases among stable development.

Operation initiatives and results

In 2015, the Company completed 46 projects in which it acted as lead underwriter, including enterprise bonds, corporate bonds, financial bonds and short-term notes, and the amount underwritten as lead underwriter amounted to RMB78.298 billion. During the Reporting Period, the Company actively promoted innovation in bond varieties by adhering to new policies. While maintaining its advantages in enterprise bonds, it increased the efforts in the issuance of corporate and financial bonds and enhanced the project reserves of income bonds and corporate bonds. Based on relevant statistics of Wind Information, the Company ranked the eighth in terms of the total corporate bonds undertaken and the fifth in terms of the enterprise bonds undertaken in 2015, which was similar to the market position in 2014.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Bond undertaking of the Company

Item	2015		2014	
	Amount underwritten as a lead underwriter (RMB in 100 million)	Number of issuance	Amount underwritten as a lead underwriter (RMB in 100 million)	Number of issuance
Enterprise bonds	154.88	18	413.33	33
Corporate bonds	99.50	10	110.00	3
Short-term notes	42.00	2	132.00	5
Subordinated bonds (special financial bonds)	454.30	12	219.10	13
Medium-term notes	32.30	4	30.50	4
Total	782.98	46	904.60	58

Note: Statistics data for 2015 is sourced from Wind.

Prospects for 2016

In 2016, the Chinese bond market will maintain rapid development with active trading. Under the background of economic downturn, the carrying out of debts swap and leverage adjustment will need an environment with low interest rate. Meanwhile, the adjustment to the wealth structure of Chinese residents will boost the demand for bond assets. With the inclusion of RMB in the SDR basket, the opening of the Chinese bond market will further speed up. The Company will take active measures and make use of business advantages based on the development trend of the bond market and the latest requirements of regulatory policies to maintain its leading position in the market and make business breakthroughs in the new year.

3. New OTC Board

Market environment

In 2015, the New OTC Board market achieved leapfrog development. The number of listed companies and the size of financing increased rapidly. The trading activity was improved and the construction of infrastructure was further improved. The New OTC Board market has become a key cornerstone of the multi-layered capital market. As at the End of the Reporting Period, the number of listed companies on the New OTC Board was 5,129, representing an increase of 226% year-on-year. The New OTC Board completed the issuance of 2,565 stocks and achieved a financing amount of RMB121.617 billion, representing an increase of 6.8 times and 8.2 times, respectively. In 2015, the trading amount on stocks transfer reached RMB191.062 billion, representing an increase of 14.6 times as compared with the corresponding period of last year.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Operation initiatives and results

In 2015, the Company prepared the headquarter for the New OTC Board business which was mainly responsible for the strategic planning, unified approval, implementation, management, training, policies study and other work of the Company's New OTC Board business, and organizing and leading branches in conducting the New OTC Board business while maintaining the business undertaking team. During the Reporting Period, the staff recruitment and the establishment of organizational structures and systems for New OTC Board business had basically been completed. Meanwhile, it sped up the establishment of a linkage mechanism between the headquarter of the Company and its branches for the New OTC Board Business, implemented the coordinated mechanism among listing, market making and capital market businesses, deeply explored potential projects of the New OTC Board and investment highlights of listed companies, and strengthened its communication with investors and clients with an aim of fully promoting the development of the whole business chain including the listing on the New OTC Board, market making, refinancing, M&As, as well as stock listing transfer. During the Reporting Period, the Company increased 30 new projects in relation to the listing on the New OTC Board, completed 29 stock issuances which amounted to RMB1.085 billion and introduced 33 online market making projects, all of which increased significantly year-on-year.

New OTC Board Business of the Company

Item	2015	2014	Increase/ Decrease
Number of listings completed	30	7	329%
Number of stock issuances	29	7	314%
Amount of stocks issued (RMB100 million)	10.85	2.62	314%
Number of newly added online market making projects	33	4	725%

Prospects for 2016

In 2016, the Company will grasp the opportunities for the rapid development of the New OTC Board market and steadily increase the number of listings in which the Company acted as a sponsor. It will perform market-making quotation services properly and increase the number of stocks for market making and investment amount. The Company will strengthen the research on the industry and market to improve the client service system and marketing system. It will give full play to its comprehensive advantages and continue to actively facilitate the development of the whole business chain so as to obtain a more favourable position for competition.

(iii) Investment management business

1. Asset management

Market environment

With the constant positive performance of A Share market in the first half of 2015 and the support being given by industrial policies to assets securitization, it offered rare opportunities for securities brokers to develop active management in their asset management business. Collective and special asset management businesses both saw rapid growth, and the channel targeted asset management business was inclined to grow slowly with its scale declining. In general, despite further intensified competition in the assets management industry under the background of "big assets management", securities brokers still showed a strong competitive strength in the asset management business due to their advantages in policies, talents and internal resources, etc.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Operation initiatives and results

Currently, the Company's asset management business involves three companies, namely Galaxy Jinhui, Galaxy Derivatives (a subsidiary of Galaxy Futures) and Galaxy Yuanhui (in December 2015, a subsidiary participating in alternative investment was established), which together establish the business structure known as "Master Galaxy Asset Management", in which Galaxy Jinhui is the core company. During the Reporting Period, the asset management business of the Company recorded operating income of RMB524 million, representing an increase of 165.35% as compared with corresponding period of 2014. During the Reporting Period, revenue and other income from the asset management business of the Company amounted to RMB524 million, representing an increase of 165.35% as compared to 2014. Galaxy Jinhui achieved rapid growth in both size and revenue through the improvement of its performance management mechanism, team building, process reengineering and channel expansion so that its product lines were highly diversified. On the basis of maintaining the brands of its original products, the Company focused on the expansion of businesses such as the stock-pledge targeted financing plans and structured financing plans, equity investment advisory management plans, targeted plans of the New OTC Board, targeted plans of fixed revenues and assets securitization products. It established a sub-brand product system that was basically well-established under the "Hui" series to fully meet the investment demands of clients. The investment services covered cash management, fixed revenue, equities, derivatives and other investment and financing demands of clients. As at the End of the Reporting Period, the assets under management of Galaxy Jinhui amounted to RMB121.457 billion, representing an increase of 319.24% as compared with 2014. Among them, the scale of collective asset management business amounted to RMB31.774 billion, the scale of targeted asset management business amounted to RMB87.096 billion, and the scale of special asset management business amounted to RMB2.567 billion. The Company had 140 management products (46 collective products, 92 targeted products and 2 special products).

Asset management business

Item	2015			2014		
	Scale (RMB in 100 million)	Net value (RMB in 100 million)	Quantity	Scale (RMB in 100 million)	Net value (RMB in 100 million)	Quantity
Collective asset management business	317.74	319.05	46	110.53	110.89	21
Targeted asset management business	870.96	877.42	92	159.95	155.04	31
Special asset management business	25.67	26.73	2	26	29.03	2

Prospects for 2016

Galaxy Jinhui will continue to give priority to improving the investment management ability, develop active management business, improve the ability in creating revenues while increasing the scale of asset management through the expansion of channels and horizontal cooperation. It will establish a professional investment research and management system by building and improving the investment management team; actively expand the business of investment entrusted by institutional clients; vigorously push forward stocks pledge, assets securitization, FOF (Fund of Funds) and other key businesses by fully leveraging the channel and asset advantages of the parent company; and strengthen business innovation to meet the business demands of clients in cash management, increase of shareholding by shareholders, overseas assets allocation and other aspects.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

2. Private equity investment

Market environment

With the increasingly diversification and improvement of the domestic multi-layered capital market and the gradual implementation and maturity of regulatory policies for the industry in 2015, the domestic private equity investment market flourished with increasingly prominent risk factors. Innovation and transformation businesses became the mainstream in the industry. Various securities brokers conducted new businesses in direct investment. They commenced development in emerging industries, in particular the “Internet plus” industries, in various forms such as industrial funds and M&A funds. Meanwhile, securities brokers were facing increasing challenges in risks control and management in direct investment and various challenges gradually became obvious.

Operation initiatives and results

In view of the diversified development of the private equity market, the high market valuation and the significant fluctuation in the secondary market, the Company prudently conducted investments in projects. It mainly focused on the exit from invested projects and implemented the development strategies for carrying out business transformation in a stable manner, establishing various exit channels and vitalizing inventory assets. The Company seized market opportunities to vigorously push forward the exit from invested projects through the New OTC Board market and the merger and acquisition of listed companies, which achieved outstanding results. The Company adopted the management strategy of projects classification, strengthened the post-investment management of projects and explored in promoting real estate funds, merger and acquisition funds and other innovative businesses. During the Reporting Period, the operating income of Galaxy Capital amounted to RMB122 million, representing an increase of 59.67% as compared to 2014. As at the End of the Reporting Period, the Company completed the exit of two equity projects and was pushing forward the exit of two equity projects. 57 projects were newly added and 21 projects became the valid projects for reserve during the Reporting Period. In addition, as a key equity investment business platform of the Company, Galaxy Yueke Industrial Investment Fund focused on investment opportunities brought by the reform of mixed ownership system and reserved certain number of equity investment projects.

Prospects for 2016

In 2016, the Company will vigorously promote the equity investment business with Galaxy Yueke Equity Investment Fund Platform being the major focus based on the changes of market conditions while controlling risks. It will focus on promoting the businesses such as the fund of the New OTC Board and M&A fund. It will deepen delicacy management of “one policy for one client” in inventory equity investment projects, carry out risk management on inventory projects and promote the exit from invested projects through various channels so as to protect the interest of the Company to the greatest extent.

(iv) Overseas business

Market environment

In 2015, the Hong Kong stock market experienced a significant fluctuation due to the effect of the Mainland China market. Benefited from the strong performance of A Share in the first half of the year, Heng Seng Index once increased to 28,589 points in the second quarter and then became weak in the third quarter along with A Share. The slowdown in China’s economic growth and the decline of commodity price to a new low for many years also affected the overall performance of the emerging markets and Hong Kong stock market.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Operation initiatives and results

During the Reporting Period, Galaxy International Holdings actively grasped market opportunities to consolidate its business foundation, with a view to creating a comprehensive platform for the overseas development of the parent company. By broadening investment and financing products, it enhanced the profit generating capability. It strengthened the construction and execution of risk control to be in line with the expansion of business scale of the Company; expanded the income source from various channels to create a healthy and stable revenue model and profitability. During the Reporting Period, the profitability of Galaxy International Holdings was further increased, and its financing business, brokerage business, investment banking business and assets management business became its recurring income source. Thus, it achieved revenue and other income of RMB426 million, representing an increase of 66.70% as compared to 2014. As at the End of Reporting Period, the number of clients of Galaxy International Holdings in the stock brokerage business was more than double as compared to 2014, the total clients' assets entrusted increased by over 70% and the total trading volume of stocks increased over 60% as compared to 2014.

Prospects for 2016

The Company will pay attention to the development of overseas business and actively explore the international development model. While devoting all efforts to build and develop the window platform of Galaxy International Holdings' overseas business, the Company will study and verify the feasibility of establishing an overseas branch in developed and emerging markets and implement the same steadily in order to fully promote the internationalization process. In 2016, Galaxy International Holdings will continue to expand its revenue source, and optimize its profit structure. It will also develop the capital-driven business, continuously promoted more extensive financial advisory business, expand assets management business, increase proprietary investment, explore fixed revenue business to diversify the business lines of the Company, which will improve its income generating capability.

III. ANALYSIS ON THE FINANCIAL STATEMENTS

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

In 2015, the trading in Shenzhen and Shanghai stock markets became active, the stock index first surged and then dropped, and the market condition was fluctuated significantly. However, the daily average trading volumes of stocks and funds increased significantly, and the market bonds index basically remained on an upward trend. Benefited from the increasingly active market trading, the capital-based intermediary businesses such as the brokerage business, and the margin financing and securities lending business experienced a substantial growth in 2015, which gave rise to a significant increase in income and net profits of the industry. The Company seized development opportunities in the industry, firmly carried out its strategic planning, insisted on development and innovation, and achieved better operating results with a higher growth in both operating income and net profits.

In 2015, the Group realized revenue and other income of RMB33.759 billion, representing an increase of 159.36% as compared to 2014; the Group realized net profits attributable to shareholders of the Company of RMB9.836 billion, representing an increase of 160.84% as compared to 2014; the Group realized earnings per share of RMB1.11, representing an increase of 122.00% as compared to 2014, and the weighted average return on net assets amounted to 21.33%, representing an increase of 7.42 percentage points as compared to 2014.

(ii) Asset structure and quality

As at the end of 2015, total assets of the Group amounted to RMB300.656 billion, representing an increase of 67.01% from RMB180.026 billion as at the end of 2014; total liabilities amounted to RMB243.406 billion, representing an increase of 61.53% from RMB150.690 billion as at the end of 2014; equity attributable to shareholders of the Company amounted to RMB56.914 billion, representing an increase of 96.09% from RMB29.024 billion as at the end of 2014.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Asset structure remained stable while asset quality and liquidity remained satisfactory. In 2015, compositions of the Group's total assets were: cash assets of RMB130.230 billion, mainly including bank balances, clearing settlement funds and transaction deposits, accounting for 43.32%; financing assets of RMB91.929 billion, mainly including advances to financing customers and financial assets held under resale agreements, accounting for 30.58%; financial investment assets of RMB74.191 billion, mainly including investments in subsidiaries, associated companies and financial assets investment, accounting for 24.68%; and operational assets such as other properties and equipment of RMB4.305 billion, mainly including fixed assets, construction in progress, intangible assets and interest receivables, accounting for 1.42%. During the Reporting Period, the Group made corresponding provisions for impairment for financing assets, available-for-sale financial assets, accounts receivable and other receivables subject to impairment while there were no signs of significant impairment for other assets.

The gearing level and operating leverage slightly decreased from the beginning of the year. In the first half of 2015, the market condition was rather satisfactory, and the Company vigorously innovated and developed its capital-based intermediary business, in particular, the margin financing and securities lending business recorded an explosive growth. In order to meet the increasing capital needs, the Company actively expanded financing channels, and promptly completed the issue of additional H Shares to replenish the capital of the Company. Since the second half of the year, with the market index and the trading volume going down, the size of the margin financing and securities lending was reduced gradually. As the Company gradually repaid any debts due, its operating leverage decreased gradually. As at the end of 2015, the gearing ratio of the Group was 68.66%, representing a decrease of 2.47 percentage points as compared with 71.13% as at the end of 2014. (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)); operating leverage ratio was 3.21 times, representing a decrease of 8.29% as compared with 3.50 times as at the beginning of 2015. (Note: operating leverage ratio = (total assets – account payable to brokerage clients)/equity attributable to owners of the Company).

(iii) Financing channels and capability

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

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

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

(iv) Cash flow

Excluding the change in margin deposit of clients, cash and cash equivalents increased by RMB911 million from the end of 2014 due to the fact that the cash inflow from the Group's financing activities in 2015 was more than the cash outflow by operating activities and investing activities.

Net cash flow from operating activities decreased by RMB8.411 billion to RMB-30.317 billion in 2015 from RMB-21.906 billion for the same period of 2014; net cash flow from investing activities decreased by RMB19.529 billion to RMB-19.920 billion in 2015 from RMB-391 million for the same period of 2014; net cash flow from financing activities increased by RMB23.274 billion to RMB50.879 billion in 2015 from RMB27.605 billion for the same period of 2014; net increase in cash and cash equivalents decreased by RMB4.666 billion to RMB642 million in 2015 from RMB5.308 billion for the same period of 2014.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

(v) Operating revenue and profit analysis

1. Items of income statement

SUMMARY RESULTS OF OPERATIONS

In 2015, the Group realized the profit before income tax of RMB13.134 billion, representing an increase of 162.51% as compared to 2014, and the main results of operations are listed as follows:

Unit: RMB in million

Item	2015	2014	Change	Year-on-year growth rate
Revenue				
Commission and fee income	17,279.4	7,135.0	10,144.4	142.18%
Interest income	11,725.5	4,182.0	7,543.5	180.38%
Net investment gains	4,453.6	1,652.7	2,800.9	169.47%
Total revenue	33,458.5	12,969.7	20,488.8	157.97%
Other income and gains	300.8	46.9	253.9	541.36%
Total revenue and other income	33,759.3	13,016.6	20,742.7	159.36%
Total expenses	20,625.3	8,013.6	12,611.7	157.38%
Share of result of associated companies				
	0.0	-0.3	0.3	-100.00%
Profit before income tax	13,134.0	5,003.3	8,130.7	162.51%
Income tax expense	3,257.3	1,212.9	2,044.4	168.55%
Profit for the year	9,876.7	3,790.4	6,086.3	160.57%
Net profit attributable to shareholders of the Company	9,835.5	3,770.7	6,064.8	160.84%

Revenue breakdown

In 2015, the Group's total revenue and other income increased by 159.36% to RMB33.759 billion as compared to 2014. Among others, commission and fee income accounted for 51.19%, representing a decrease of 3.62 percentage points as compared to 2014; interest income took up 34.73%, representing an increase of 2.60 percentage points as compared to 2014; net investment gains accounted for 13.19%, representing an increase of 0.49 percentage point as compared to 2014. Breakdown of the Group's revenue for the recent five years is listed as follows:

Unit: RMB in million

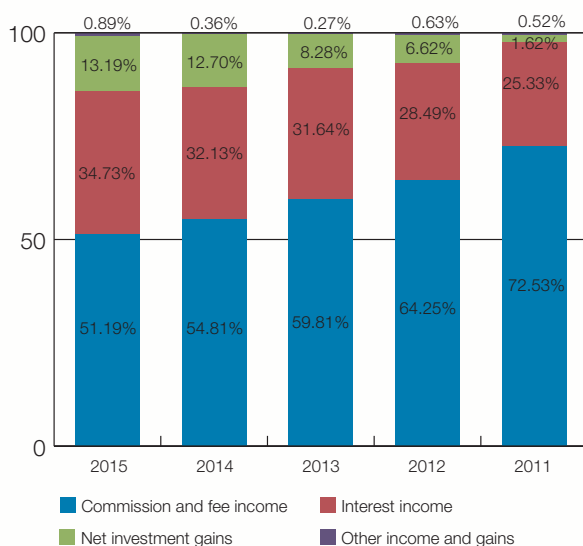
Item	2015	2014	2013	2012	2011
Commission and fee income	51.19%	54.81%	59.81%	64.25%	72.53%
Interest income	34.73%	32.13%	31.64%	28.49%	25.33%
Net investment gains	13.19%	12.70%	8.28%	6.62%	1.62%
Other income and gains	0.89%	0.36%	0.27%	0.63%	0.52%
Total	100.00%	100.00%	100.00%	100.00%	100.00%



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

The comparison of the revenue breakdown is shown in the bar chart below:

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



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

Commission and fee income

Breakdown of the Group's commission and fee income in 2015 is listed as follows:

Unit: RMB in million

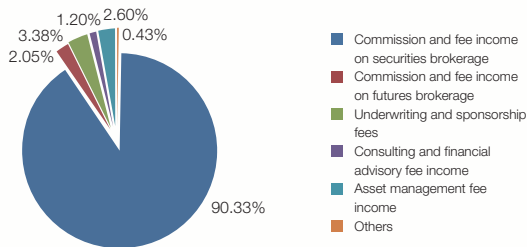
Item	2015	2014	Change	Year-on-year growth rate
Commission and fee income				
Commission and fee income on securities brokerage	15,608.1	5,532.5	10,075.6	182.12%
Commission and fee income on futures brokerage	354.7	324.9	29.8	9.18%
Underwriting and sponsorship fees	584.8	974.4	-389.6	-39.98%
Consulting and financial advisory fee income	207.9	101.9	106.0	104.00%
Asset management fee income	449.1	192.3	256.8	133.55%
Others	74.8	9.0	65.8	730.72%
Total commission and fee income	17,279.4	7,135.0	10,144.4	142.18%
Commission and fee income expense	446.7	201.1	245.6	122.11%
Net commission and fee income	16,832.7	6,933.9	9,898.8	142.76%



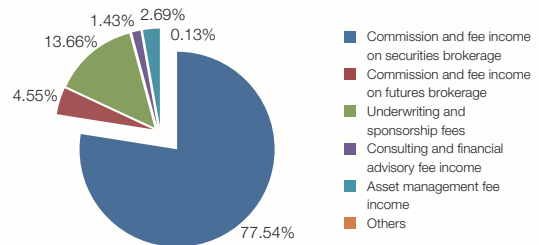
SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

The breakdown of the Group's commission and fee income in 2015 and 2014:

Breakdown of commission and fee income in 2015



Breakdown of commission and fee income in 2014



In 2015, the Group's net commission and fee income amounted to RMB16.833 billion, representing an increase of 142.76% as compared to 2014, which was mainly due to an increase in the commission and fee income on securities brokerage.

Commission and fee income on securities brokerage business increased by RMB10.076 billion or 182.12% as compared to 2014, which was mainly due to the active trading in the Chinese stock market and a significant growth in the daily average trading volume of stocks and funds in 2015; the favorable impacts exceeded the adverse impacts of declining average commission rate, therefore commission and fee income on securities brokerage increased correspondingly.

Underwriting and sponsorship fee income of investment banking business decreased by RMB390 million or 39.98% as compared to 2014, which was primarily due to the suspension of IPO for A share in 2015 and a decrease in the size of underwriting corporate bonds.

Consulting and financial advisory fee income of investment banking business increased by RMB106 million or 104.00% as compared to 2014, which was mainly due to the benefits from the rapid development of asset securitization business and the New OTC Board market, and an increase in the scale of the consulting and financial advisory business of the Company. Commission and fee income of asset management business increased by RMB257 million or 133.55% as compared to 2014, which was primarily due to a significant increase in the amount of asset under management as the control and regulation of asset management business has continued to relax.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Interest income

In 2015, the Group realized net interest income of RMB4,695 million, representing an increase of 67.41% as compared to 2014. Breakdown of the Group's net interest income in 2015 is listed as follows:

Unit: RMB in million

Item	2015	2014	Change	Year-on-year growth rate
Interest income				
Deposits and bank balances with exchanges and non-bank financial institutions	3,972.8	1,614.9	2,357.9	146.01%
Advances to customers and securities lending	7,514.5	2,497.8	5,016.7	200.84%
Financial assets held under resale agreements	238.2	69.3	168.9	243.70%
Total interest income	11,725.5	4,182.0	7,543.5	180.38%
Interest expenses	7,030.1	1,377.2	5,652.9	410.45%
Net interest income	4,695.4	2,804.8	1,890.6	67.41%

Interest income from deposits and bank balances with exchanges and non-bank financial institutions increased by RMB2,358 million or 146.01% as compared to 2014, which was primarily due to the increase arising from the growth of the size of client margin deposits exceeded the decrease arising from a decline in rate spread.

Interest income from advances to customers and securities lending increased by RMB5,017 million or 200.84% as compared to 2014, which was primarily due to an increase in the scale of margin financing and securities lending business.

Interest expenses increased by RMB5,653 million, representing an increase of 410.45% as compared with corresponding period of last year, mainly due to the fact that the stock market was hot and the Company properly increased leverage by issuing financing instruments such as short-term corporate bonds, subordinate bonds, corporate bonds, resulting in an increase in interest expenses for the first half of 2015.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Net investment gains

In 2015, the Group realized net investment gains of RMB4,454 million, representing an increase of 169.48% as compared to 2014. Breakdown of the Group's net investment gains in 2015 is listed as follows:

Unit: RMB in million

Item	2015	2014	Change	Year-on-year growth rate
Net investment gains				
Net realized (losses)/gains from disposal of available-for-sale financial assets	2,773.6	224.1	2,549.5	1137.90%
Dividend income and interest income from available-for-sale financial assets	733.7	520.5	213.2	40.97%
Gain from investment in receivables	10.3	38.7	-28.4	-73.40%
Net realized (losses)/gains from financial assets at fair value through profit or loss	551.1	-206.5	757.6	366.92%
Dividend income and interest income from financial assets held at fair value through profit or loss	635.6	433.3	202.3	46.68%
Unrealized fair value change of financial instruments at fair value through profit or loss	-250.6	642.6	-893.2	-139.00%
Total	4,453.6	1,652.7	2,801.0	169.48%

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

Realized net gains on disposal of available-for-sale financial assets increased by RMB2,550 million or 1,137.90% as compared to 2014, which was primarily due to the Group's participation in a number of share placements with significant profits in the sales of some placement shares, and at the same time. In the second half of 2015, the Company promptly increased the investment in securities and achieved a better return.

Dividend and interest income from available-for-sale financial assets increased by RMB213 million or 40.97% as compared to 2014, which was primarily due to the Group's expansion of "Jin Zi Lai" (金自来) business leading to an increase in bonus income from the structured fund A.

The realized return of financial assets designated at fair value through profit or loss increased by RMB758 million, mainly due to the fixed return from securities market, including the position of stock index future and the realization of return in convertible bonds.

Dividend income and interest income from financial assets held at fair value through profit or loss increased by RMB202 million as compared to 2014, which was primarily due to an increase in fixed income securities like bonds held for trading purpose.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Unrealized gains on change in fair value of financial assets at fair value through profit or loss decreased by RMB893 million, which was primarily due to the disposal of convertible bonds (which generated a variable gain in 2014) in 2015.

Operating expenses

In 2015, the Group's operating expenses (regardless of fee and commission expenses and interest expenses) amounted to RMB13,149 million, representing an increase of 104.32%. Main compositions of the Group's operating expenses in 2015 are listed as follows:

Unit: RMB in million

Item	2015	2014	Change	Year-on-year growth rate
Operating expenses				
Depreciation and amortization	184.5	187.2	-2.7	-1.47%
Staff costs	9,559.0	4,191.3	5,367.8	128.07%
Other operating expenses	3,263.4	2,016.1	1,247.3	61.87%
Impairment losses	141.6	40.6	101.0	248.71%
Total	13,148.6	6,435.2	6,713.3	104.32%

Depreciation and amortization decreased by RMB3.0 million or 1.47% as compared to 2014, which was primarily due to the fact that some of the Company's fixed and intangible assets remained in normal use although the provision for depreciation or the amortization of such assets was completed.

Staff costs increased by RMB5,368 million or 128.07% as compared to 2014, which was primarily due to an increase in bonus for improving performance in 2015.

Other operating expenses increased by RMB1,247 million or 61.87% as compared to 2014, which was primarily due to the rental increase.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Impairment losses of assets amounted to RMB142 million, representing an increase of RMB101 million as compared to 2014, details of which are listed as follows.

Unit: RMB in million

Item	2015	2014	Change	Year-on-year growth rate
Impairment losses				
Allowance for/(reversal of) impairment loss in respect of accounts receivable	9.1	1.2	7.9	632.64%
Impairment loss in respect of other receivables	12.9	15.1	-2.2	-14.46%
Impairment loss in respect of available-for-sale financial assets	30.0	24.3	5.7	23.46%
Impairment loss in respect of margin financing and securities lending business	83.1	0.0	83.1	100.00%
Impairment loss in respect of financial assets held under resale agreements	6.5	0.0	6.5	100.00%
Total	141.6	40.6	101.0	248.71%

Impairment losses of assets amounted to RMB142 million in 2015, which was mainly due to fact that in view of the higher market volatility, based on a prudent principle, it was made the impairment provision, amounting to RMB90 million, for credit business including margin financing and securities lending, securities based lending and share pledge repurchase through the pressure test and other methods according to different combination, as well as impairment provision for private equity investment, amounting to RMB30 million.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

2. Asset items

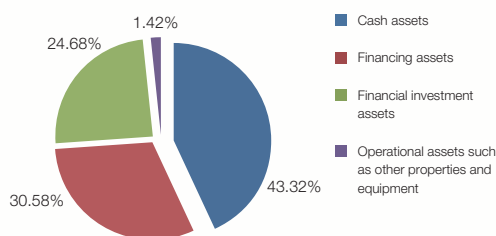
As at 31 December 2015, the total assets of the Group amounted to RMB300.656 billion, representing an increase of 67.01% as compared to 2014. Among others, cash assets amounted to RMB130.230 billion, representing an increase of 46.13% as compared to 2014; financing assets amounted to RMB91.929 billion, representing an increase of 33.53% as compared to 2014; financial investment assets amounted to RMB74.192 billion, representing an increase of 286.91% as compared to 2014; and operational assets such as other properties and equipment amounted to RMB4.305 billion, representing an increase of 49.44% as compared to 2014. Major changes in the Group's total assets are listed as follows:

Unit: RMB in million

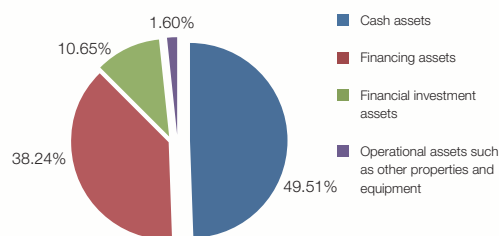
Item	31 December 2015	31 December 2014	Change	Year-on-year growth rate
Total assets				
Cash assets	130,230.2	89,122.0	41,108.2	46.13%
Financing assets	91,928.9	68,847.5	23,081.4	33.53%
Financial investment assets	74,191.6	19,175.6	55,016.0	286.91%
Operational assets such as other properties and equipment	4,304.9	2,880.6	1,424.3	49.44%
Total	300,655.6	180,025.7	120,629.9	67.01%

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

Analysis of assets composition in 2015



Analysis of assets composition in 2014





SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Cash assets

As at 31 December 2015, the Group's cash assets increased by RMB41.108 billion or 46.13% as compared to 2014, accounting for 43.32% of the Group's total assets. The composition of the Group's cash assets is listed as follows:

Unit: RMB in million

Item	31 December 2015	31 December 2014	Change	Year-on-year growth rate
Cash assets				
Bank balances	102,581.6	51,811.6	50,770.0	97.99%
Clearing settlement funds	23,259.6	31,260.4	-8,000.8	-25.59%
Deposits with exchanges and non-bank financial institutions	4,389.0	6,050.0	-1,661.0	-27.46%
Total	130,230.2	89,122.0	41,108.2	46.13%

The change in cash assets was mainly reflected in bank balances and clearing settlement funds of which bank balance amounting to RMB102.581 billion, representing an increase of 97.99%, as compared to 2014. This was mainly due to the financing of substantial funds through the issuance of additional H Shares and the issuance of corporate bonds and subordinated bonds by the Group to external parties for satisfying the demands for development of high fund-consuming businesses such as margin financing and securities lending business on one hand, and a significant growth of the clients' deposits on the other hand.

Clearing settlement funds was RMB23.260 billion, representing a decrease of 25.59%, mainly due to the downturn of stock market in the second half of 2015 resulting in a decrease in the deposit placed in clearing house and an increase in deposit transferring into bank accounts.

Financing assets

As at 31 December 2015, the Group's financial assets increased by RMB23.081 billion or 33.53% as compared to 2014, accounting for 30.58% of the Group's total assets. The composition of the Group's financing assets is listed as follows:

Unit: RMB in million

Item	31 December 2015	31 December 2014	Change	Year-on-year growth rate
Financial assets				
Advances to customers	70,138.2	61,442.7	8,695.5	14.15%
Financial assets held under resale agreements	21,790.7	7,404.8	14,385.9	194.28%
Total	91,928.9	68,847.5	23,081.4	33.53%

Advances to customers increased by 14.15% to RMB70.138 billion, which was primarily due to the growth of the Group's margin financing and securities lending business.

Financial assets held under resale agreements increased by 194.28% to RMB21.791 billion, which was primarily due to a significant growth of the scale of the Group's pledge-style bond repurchase for liquidity management.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Financial investment assets

As at 31 December 2015, the Group's financial investment assets increased by RMB55.016 billion or 286.91% as compared to 2014, accounting for 24.68% of the Group's total assets. The composition of the Group's financial investment assets is listed as follows:

Unit: RMB in million

Item	31 December 2015	31 December 2014	Change	Year-on-year growth rate
Financial investment assets				
Investment in an associate	0.0	20.0	-20.0	-100.00%
Investment in receivables	3,119.1	250.0	2,869.1	1,147.64%
Available-for-sale financial assets	32,125.2	11,583.5	20,541.7	177.33%
Financial assets held for trading	37,267.1	5,961.3	31,305.9	525.16%
Financial assets designated as at fair value through profit or loss	1,656.7	1,360.8	295.8	21.74%
Derivative financial assets	23.5	0.0	23.5	100.00%
Total	74,191.6	19,175.6	55,016.0	286.91%

Available-for-sale financial assets: As at 31 December 2015, the Group's available-for-sale financial assets increased by RMB20.542 billion or 177.33% as compared to 2014, accounting for 10.69% of the Group's total assets, which was mainly due to the investment of RMB10.5 billion in China Securities Finance Corp. and an increase in the purchase of the structured fund A by commencing Jin Zi Lai (金自來) business. The composition of the Group's available-for-sale financial assets is listed as follows:

Unit: RMB in million

Item	31 December 2015	31 December 2014	Change	Year-on-year growth rate
Available-for-sale financial assets				
Debt securities	12,753.7	9,008.3	3,745.4	41.58%
Equity securities	2,389.4	702.4	1,687.0	-240.17%
Funds	3,274.1	11.6	3,262.5	28,154.26%
Other investments	13,708.0	1,861.2	11,846.8	636.51%
Total	32,125.2	11,583.5	20,541.7	177.33%

Funds increased by RMB3,263 million as compared with the corresponding period of last year, mainly due to the fact that the Company commenced dealer-quoted repurchase business for graded funds A ("Jinzilai"), which increased the purchase for graded funds A, thus increased the percentage of funds.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Financial assets held for trading: As at 31 December 2015, the Group's financial assets held for trading increased by RMB31.306 billion or 525.16% as compared to 2014, accounting for 12.40% of the Group's total assets. The composition of the Group's financial assets held for trading is listed as follows:

Unit: RMB in million

Item	31 December 2015	31 December 2014	Change	Year-on-year growth rate
Financial assets held for trading				
Debt securities	21,714.8	3,850.8	17,864.0	463.90%
Equity securities	1,524.8	662.8	862.0	130.05%
Funds	14,027.5	1,447.7	12,579.8	868.95%
Total	37,267.1	5,961.3	31,305.8	525.15%

Financial assets designated as at fair value through profit or loss: As at 31 December 2015, the Group's financial assets designated as at fair value through profit or loss increased by RMB296 million or 21.74% as compared to 2014, accounting for 0.55% of the Group's total assets. The composition of the Group's financial assets designated as at fair value through profit or loss is listed as follows:

Unit: RMB in million

Item	31 December 2015	31 December 2014	Change	Year-on-year growth rate
Financial assets designated as at fair value through profit or loss				
Convertible bonds	9.2	657.4	-648.2	-98.60%
Equity securities	1,202.9	431.8	771.1	178.57%
Funds	400.3	201.6	198.7	98.57%
Other investments	44.3	70.0	-25.7	-36.66%
Total	1,656.7	1,360.8	295.9	21.74%



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Operational assets such as other properties and equipment

As at 31 December 2015, the Group's operational assets such as other properties and equipment increased by RMB1.424 billion or 49.44% to RMB4.305 billion as compared to 2014, accounting for 1.42% of the Group's total assets. The composition of the Group's operational assets such as other properties and equipment is listed as follows:

Unit: RMB in million

Item	31 December 2015	31 December 2014	Change	Year-on-year growth rate
Operational assets such as other properties and equipment				
Property and equipment	450.5	379.6	70.9	18.69%
Goodwill	223.3	223.3	0.0	0.00%
Other intangible assets	363.4	355.2	8.2	2.31%
Deferred tax assets	131.0	347.7	-216.6	-62.31%
Accounts receivable	764.0	458.3	305.9	66.76%
Other receivables and prepayments	2,372.7	1,116.7	1,256.1	112.48%
Total	4,304.9	2,880.6	1,424.3	49.44%

The increase in other receivables and prepayments was mainly due to the significant increase in the interest receivables from margin financing and securities lending business.

3. Liability items

As at 31 December 2015, the Group's total liabilities increased by RMB92.716 billion or 61.53% to RMB243.406 billion as compared to 2014. In order to strongly develop the capital-based intermediary business, the Company increased its financial leverage level and expanded the scale of financing through various financing channels. As at 31 December 2015, accounts payable to brokerage clients was RMB117.992 billion, representing an increase of 50.49% as compared to 2014; financial assets sold under repurchase agreements was RMB44.853 billion, representing an increase of 37.00% as compared to 2014, which was primarily due to an increase in the business scale of asset-backed repurchase business and increases in transfer of margin financing and securities lending income rights and in forward loan purchases; bank borrowings and borrowing funds was RMB65.459 billion, representing an increase of 91.79% as compared to 2014, which was mainly due to the issuance of new bonds such as corporate bonds and subordinated bonds. Major changes in the Group's total assets are listed as follows:

Unit: RMB in million

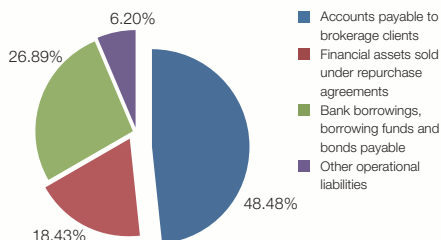
Item	31 December 2015	31 December 2014	Change	Year-on-year growth rate
Liabilities				
Accounts payable to brokerage clients	117,992.2	78,407.5	39,584.7	50.49%
Financial assets sold under repurchase agreements	44,852.9	32,739.9	12,113.0	37.00%
Bank borrowing and borrowing funds, etc.	65,459.3	34,130.0	31,329.3	91.79%
Other operational liabilities	15,101.7	5,412.4	9,689.4	179.02%
Total	243,406.1	150,689.8	92,716.4	61.53%



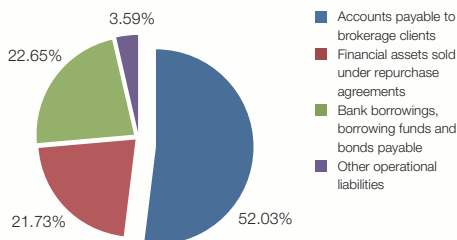
SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

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

Analysis of liabilities composition in 2015



Analysis of liabilities composition in 2014



Bank borrowings and borrowing funds

Unit: RMB in million

Item	31 December 2015	31 December 2014	Change	Year-on-year growth rate
Bank borrowings and borrowing funds, etc.				
Due to banks and non-bank financial institutions	1,190.5	1,812.1	-621.6	-34.30%
Financing instrument payables	13,867.9	5,417.9	8,450.0	155.96%
Bonds payable	50,400.9	26,900.0	23,500.9	87.36%
Total	65,459.3	34,130.0	31,329.3	91.79%

The amount payable to banks and non-bank financial institutions was RMB1.191 billion, representing a decrease of 34.30% as compared to 2014, which was primarily due to partial repayment by the Hong Kong subsidiaries of the borrowings.

Financing instrument payables increased by RMB8.450 billion as compared with the corresponding period of last year, mainly due to the increase in the principal amount of financing instrument issued by the Company.

The bonds payable increased by RMB23.501 billion as compared to 2014, all of which were the unmatured corporate bonds and subordinated bonds issued by the Group.

Other operational liabilities

Unit: RMB in million

Item	31 December 2015	31 December 2014	Change	Year-on-year growth rate
Other operational liabilities				
Accrued staff costs	5,543.8	2,932.7	2,611.1	89.04%
Other payables and accruals	8,532.0	2,101.2	6,430.8	306.06%
Income tax liabilities	633.5	354.4	279.1	78.76%
Financial liabilities held for trading	51.0	0.0	51.0	100.00%
Derivative financial liabilities	341.4	24.1	317.4	1317.72%
Total	15,101.7	5,412.3	9,689.4	179.02%



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

Accrued staff costs increased by RMB2.611 billion or 89.04% as compared to 2014, which was primarily due to a substantial increase in the base number of performance fees resulting from the significant increase in the Group's performance.

Other payables and accruals increased by RMB6.431 billion or 306.06% as compared to 2014, which was primarily due to an increase in interest payable as result of the increase in active financing, as well as the significant increase in the payables to interest holders of consolidated structured entities.

4. Equity items

As at 31 December 2015, the Group's total equity was RMB57.249 billion, representing an increase of 95.15% as compared to 2014. The following table sets forth the composition of the Group's equities for the date indicated:

Unit: RMB in million

Item	31 December 2015	31 December 2014	Change	Year-on-year growth rate
Share capital	9,537.3	7,537.3	2,000.0	26.53%
Reserves	33,382.4	13,232.1	20,150.3	152.28%
Retained profits	13,993.9	8,254.4	5,739.5	69.53%
Non-controlling interests	335.9	312.1	23.8	7.60%
Total	57,249.4	29,335.9	27,913.5	95.15%

5. SEGMENT RESULTS

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



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB in million

	2015		2014	
	Amount	Percentage	Amount	Percentage
Securities brokerage	25,574.1	75.75%	9,391.7	72.15%
Futures brokerage	873.9	2.59%	683.6	5.25%
Proprietary trading and other securities trading services	4,695.6	13.91%	1,402.0	10.77%
Investment banking	822.1	2.44%	1,025.6	7.88%
Asset management	523.9	1.55%	197.4	1.52%
Private equity investment	121.8	0.36%	76.3	0.59%
Overseas business	426.4	1.26%	255.8	1.96%
Others	1,160.9	3.44%	201.2	1.55%
Inter-segment eliminations	-439.3	-1.30%	-217.0	-1.67%
Total	33,759.3	100.00%	13,016.6	100.00%

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

Unit: RMB in million

	2015		2014	
	Amount	Percentage	Amount	Percentage
Securities brokerage	15,430.8	74.82%	5,256.8	65.60%
Futures brokerage	565.8	2.74%	498.1	6.22%
Proprietary trading and other securities trading services	1,922.7	9.32%	671.4	8.38%
Investment banking	561.3	2.72%	737.7	9.21%
Asset management	438.0	2.12%	158.9	1.98%
Private equity investment	61.6	0.30%	55.9	0.70%
Overseas business	271.1	1.32%	206.0	2.57%
Others	1,675.4	8.12%	542.2	6.77%
Inter-segment eliminations	-301.3	-1.46%	-113.4	-1.41%
Total	20,625.3	100.00%	8,013.6	100.00%



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

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

	2015		2014	
	Amount	Percentage	Amount	Percentage
Securities brokerage	10,143.3	77.23%	4,134.9	82.64%
Futures brokerage	308.1	2.35%	185.5	3.71%
Proprietary trading and other securities trading services	2,773.0	21.11%	730.7	14.60%
Investment banking	260.8	1.99%	287.9	5.76%
Asset management	85.9	0.65%	38.6	0.77%
Private equity investment	60.2	0.46%	20.3	0.41%
Overseas business	155.2	1.18%	49.7	0.99%
Others	-514.5	-3.92%	-340.7	-6.81%
Inter-segment eliminations	-137.9	-1.05%	-103.6	-2.07%
Total	13,134.0	100.00%	5,003.3	100.00%

(vi) Contingent liabilities

Nil



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

IV. ESTABLISHMENT OF SECURITIES BRANCHES, BRANCH OFFICES AND SUBSIDIARIES

(i) Establishment of Securities Branches and Branch Offices

As at the End of the Reporting Period, the Company had established 36 branch offices and 356 securities branches.

1. Establishment of Securities Branches

During the Reporting Period, according to the “Approval on the Establishment of 30 Branches by China Galaxy Securities Co., Ltd.” (Jing Zheng Jian Xu Ke [2015] No. 46) issued by CSRC Beijing Bureau, the Company was approved to set up 30 securities branches in Taizhou, Zhejiang Province and other cities. As at the End of the Reporting Period, the Company had established 26 securities branches, and the remaining securities branches were 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 17 branches within the same city, including 2 branch office and 15 securities branches, which are Beijing branch office, Zhejiang branch office, securities branch in Wenming Yi Road, Huizhou, securities branch in Jinsha Road, Shantou, securities branch in Chenghai Road, Shantou, securities branch in Jingyu Dong Road, Yangpu District, Shanghai, securities branch in Cangnan Station Avenue, securities branch in Yeshan Road, Fuzhou, securities branch in Taoranqiao, Beijing, securities branch in Daliang, Shunde, Foshan, securities branch in Xiangping, Tongan, Xiamen, securities branch in Caobao Road, Shanghai, securities branch in Xianglin Road, Shenzhen, securities branch in Xiangyang, securities branch in Xinhua Road, Wuhan, securities branch in Zijing Dong Road, Xiaolan, Zhongshan and securities branch in Hanyang, Wuhan.

(ii) Establishment of subsidiaries

To be in line with the diversified development trend of the industry, make reasonable layout for industry investment, merger and acquisition investment and financial innovation products investment and realise innovation and development transformation, the Company established a wholly-owned alternative investment subsidiary – Galaxy Yuanhui Investment Co., Ltd. (銀河源匯投資有限公司) with a registered capital of RMB350 million, and obtained the business license for the enterprise legal person on 10 December 2015. The establishment of Galaxy Yuanhui Investment Co., Ltd. (銀河源匯投資有限公司) marked the formal start of alternative investment for Galaxy securities.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

V. SIGNIFICANT FINANCING ACTIVITIES

1. Debt financing

- (1) As at 31 December 2015, the Company issued the 2015 first tranche to fifth tranche subordinated bonds with a principal amount of RMB25.1 billion in total, details of which are as follows:

Name	Size of Issuance (RMB)	Use of Proceeds	Date of Issuance	Maturity Date	Term	Interest Rate
2015 First Tranche Subordinated Bonds	RMB1,200 million	To replenish working capital	30 January 2015	30 January 2017	731 days	5.80%
2015 Second Tranche Subordinated Bonds	RMB2,800 million	To replenish working capital	30 January 2015	30 January 2017	731 days	5.90%
2015 Third Tranche Subordinated Bonds	RMB4,300 million	To replenish working capital	10 April 2015	10 April 2017	731 days	5.80%
2015 Fourth Tranche Subordinated Bonds	RMB5,800 million	To replenish working capital	24 April 2015	24 April 2018	1096 days	5.60%
2015 Fifth Tranche Subordinated Bonds	RMB11,000 million	To replenish working capital	8 May 2015	8 May 2017	731 days	5.70%

- (2) As at 31 December 2015, the Company issued the 2014 first tranche to second tranche corporate bonds with a principal amount of RMB2.5 billion in total, details of which are as follows:

Name	Size of Issuance (RMB)	Use of Proceeds	Date of Issuance	Maturity Date	Term	Interest Rate
2014 First Tranche Corporate Bonds	RMB1,500 million	To replenish working capital	4 February 2015	4 February 2018	1096 days	4.65%
2014 First Tranche Corporate Bonds	RMB1,000 million	To replenish working capital	4 February 2015	4 February 2020	1826 days	4.80%



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

- (3) As at 31 December 2015, the Company issued the short-term corporate bonds of securities companies with a principal amount of RMB19.83 billion in total, details of which are as follows:

Name	Size of Issuance (RMB)	Use of Proceeds	Date of Issuance	Maturity Date	Term	Interest Rate
2014 Second Tranche Short-term Bonds of Securities Companies	RMB3,200 million	To replenish working capital	20 January 2015	22 July 2015	183 days	5.00%
2014 Third Tranche Short-term Bonds of Securities Companies	RMB2,630 million	To replenish working capital	6 March 2015	6 March 2016	366 days	5.02%
2015 First Tranche Short-term Bonds of Securities Companies	RMB3,000 million	To replenish working capital	24 March 2015	24 March 2016	366 days	5.40%
2015 Second Tranche Short-term Bonds of Securities Companies	RMB2,000 million	To replenish working capital	29 April 2015	29 April 2016	366 days	5.20%
2015 Third Tranche Short-term Bonds of Securities Companies	RMB7,000 million	To replenish working capital	15 June 2015	10 May 2016	330 days	4.65%
2015 Fourth Tranche Short-term Bonds of Securities Companies	RMB2,000 million	To replenish working capital	29 June 2015	29 June 2016	366 days	5.30%

- (4) On 26 November 2015, the Company obtained the letter of no-objection concerning the issue of RMB50 billion subordinated bonds and RMB36 billion short-term bonds of securities companies by the SSE with an effective term of 12 months. On 1 December 2015, the Company obtained the letter of no-objection concerning the non-public issue of RMB50 billion corporate bonds by the SSE with an effective term of 12 months. On 14 December 2015, the Company obtained the approval concerning the public issue of RMB5.5 billion corporate bonds by the CSRC with an effective term of 6 months. On 10 September 2015, the Company received the notice concerning the issue of short-term notes of securities companies by the People's Bank of China with an effective term of 12 months to approve the balance of outstanding short-term notes issued by the Company with a maximum amount of RMB15.2 billion.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

2. Equity financing

(1) Financing through placing of H Shares

In order to promptly replenish the capital of the Company and promote the rapid business development of the Company, the Company allotted and issued a total of 2 billion H Shares with a total par value of RMB2 billion to no less than six placees (being professional, institutional and/or other investors) at a placing price of HK\$11.99 per share on 5 May 2015. The closing price of H Shares as quoted on the Hong Kong Stock Exchange on the date when the issuance terms were determined (i.e. 28 April 2015) was HK\$12.53. For the aggregate amount, net amount and the use of the proceeds from the placing of H Shares, please refer to “III. Issuance of Shares and Utilization of Proceeds” under section “VI, Directors’ Report” of this report.

(2) Financing through the initial public offering of A Shares

On 25 April 2014, the Company convened the first extraordinary general meeting, Domestic Shares class meeting and H Shares class meeting in 2014, at which the plan for A Shares issuance and other relevant resolutions were considered, approved and amended. It was approved that the Company should issue not more than 1,693,510,473 A Shares on the SSE. Any proceeds raised from the A Shares issuance would, after deduction of the issuance expenses, be entirely used in increasing the capital of the Company and replenishing its working capital. The plan of A Shares issuance was valid for 12 months starting from the date on which the resolution was approved at the general meeting and class meetings. Application materials including the prospectus of A Shares had been submitted by the Company and accepted by the CSRC. The prospectus of A Shares was published on the CSRC website on 29 August 2014, and posted on the HKExnews website at the same time.

On 26 March 2015, the first extraordinary general meeting 2015 and the Domestic Shares and H Shares class meetings considered and approved the resolution to extend the validity period of the A Share issuance plan and relevant mandate for 12 months. The new validity period started from the next day upon the expiration of the original validity period.

On 24 March 2016, the first extraordinary general meeting 2016 and the Domestic Shares and H Shares class meetings considered and approved the resolution to extend the validity period of the A Share issuance plan and relevant mandate for an additional 12 months. The new validity period started from the next day upon the expiration of the original validity period, and certain minor amendments were made to the A Share issuance plan and relevant mandate.

At present, the Company is actively preparing for the issuance of A Shares.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

VI. MATERIAL INTEREST INVESTMENT

On 4 July 2015, 21 securities companies including the Company held a meeting and released the Joint Announcement of 21 Securities Companies, pursuant to which the board of directors of the Company held an ad hoc meeting on 6 July 2015. At such meeting, it was agreed that the Company would, within the authorization given by the shareholders' general meeting, invest an amount equal to 15% of its net assets as of the end of June 2015 (RMB7.8 billion) mainly on exchange traded funds (ETF) investing in blue chip stocks, by way of return swaps with China Securities Finance Corporation Limited. In view of the Company's confidence on the capital market of the PRC, the Board held an ad hoc meeting on 1 September 2015, and agreed to increase its capital contribution to China Securities Finance Corporation Limited by RMB2.7 billion within the authorization given by the shareholders' general meeting.

VII. PLEDGE OF ASSETS

The Company has no pledge of assets.

VIII. BUSINESS INNOVATION AND ITS INFLUENCE AND RISK CONTROL

(i) Business Innovation

During the Reporting Period, the Company was granted the qualifications for various new business, including qualifications as a stock options trading participant on the SSE, qualifications for share option settlement business, opening accounts on WeChat, qualifications for price quotation business for debt financing instruments of non-financial companies, as well as qualifications as a member of Asset Management Association of China (中國證券投資基金業協會), qualifications as a member of China Futures Association and qualifications as a member of China Association of Insurance Asset Management.

During the Reporting Period, the Company vigorously launched various innovative businesses. The Company became the first batch of pilot securities brokers that could achieve "one person with multi-accounts", the first securities broker opening accounts off site at 365*7*24 hours, the first batch of securities brokers opening accounts on WeChat and the first batch of securities brokers introducing QR codes online through the cooperation of banks and securities brokers. By actively promoting PB business, the Company had a total of 253 funds under custody, with an addition of 213 funds in 2015, and the total custody size amounted to RMB33.328 billion. The Company prepared the Internet finance department and explored the model of Internet business aggressively to enrich the marketing and service methods applied to brokerage clients. Through the preparation of the headquarter for the New OTC Board business, the Company adopted the business model of "coordination between the headquarter and branches" to actively make use of the advantages of branches for the development of the New OTC Board business, which as a result achieved a quicker development.

(ii) Risk control of business innovation

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

1. Making preparation for the initial risk management

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



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

2. Establishment of a sound risk management system and procedures

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

3. Improvement of the three-tier authority management

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

IX. 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 2015, the Company adopted effective measures to actively address and generally prevent substantial risk events and ensure the safety of business operation of the Company.

(i) Market risk

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



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

1. Price risk

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

The price risk of the Company was mainly derived from the positions held in businesses such as proprietary investment, and market making business. In order to control risks effectively, the Company mainly adopted the following measures: Firstly, by creating securities investment portfolios, the Company made use of financial derivatives to carry out effective risk hedging. Secondly, the risk exposure of the Company's positions was managed on a unified basis. Through the defensive lines of the internal risk division of the business department and the risk management department, the Company implemented independent risk monitoring, analysis and reporting to discover and handle risks in a timely manner. Thirdly, the Company implemented the risk permit management to control indicators such as the scale of risk exposure, concentration and limit of loss, and made adjustments irregularly to respond to the ever-changing market conditions, business conditions or risk tolerance. Fourthly, the Company adopted quantitative means such as VaR and combined with other methods such as scenario analysis and stress test to assess the relative and absolute risks of the portfolios.

During the Reporting Period, affected by the market fluctuation, the price of securities held by the Company had large volatility. However, the Company made active use of such ways like risk hedging and limit management, and effectively monitored and managed the position risks of the securities held by the Company. The overall proprietary business risk of the Company was within an acceptable range. As at the End of the Reporting Period, the VaR^① of the Company's investment portfolio amounted to approximately RMB86 million, not over 0.2% of its net capital.

2. Interest rate risk

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

During the Reporting Period, the overall risk of the Company from interest rate was under control.

3. Currency rate risk

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

^① 1 day VaR at 95% confidence level.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Credit risk

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

As at the End of the Reporting Period, 61.99% of the credit bonds held by the Company had a credit rating of AAA, 38.01% had a credit rating of AA and AA+. There was no default from counterparties. During the Reporting Period, affected by the market volatility, there was 2,609 compulsory close position operation in terms of the margin financing and securities lending business with the size reaching RMB3.175 billion, all of which were standardized disposal procedures agreed in business rules and contracts for implementation of the transaction, while the Company incurred a loss of RMB294,000. There was no actual loss in securities-based lending transactions, dealer-quoted securities repurchase transactions and equity swap transactions. The overall credit risk of the Company was under control.

(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 in the ordinary course of business of the Company.

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

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

(iv) Operational risk

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

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



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

X. CONSTRUCTION OF RISK MANAGEMENT SYSTEM

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

(I) the Board of Directors and its Special Committees

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

1. Risk Management Committee

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

2. Audit Committee

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

(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.



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

1. Risk Management Department

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

2. Legal Compliance Department

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



SECTION V MANAGEMENT DISCUSSION AND ANALYSIS

3. Audit Department

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

4. Functional Management Departments

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

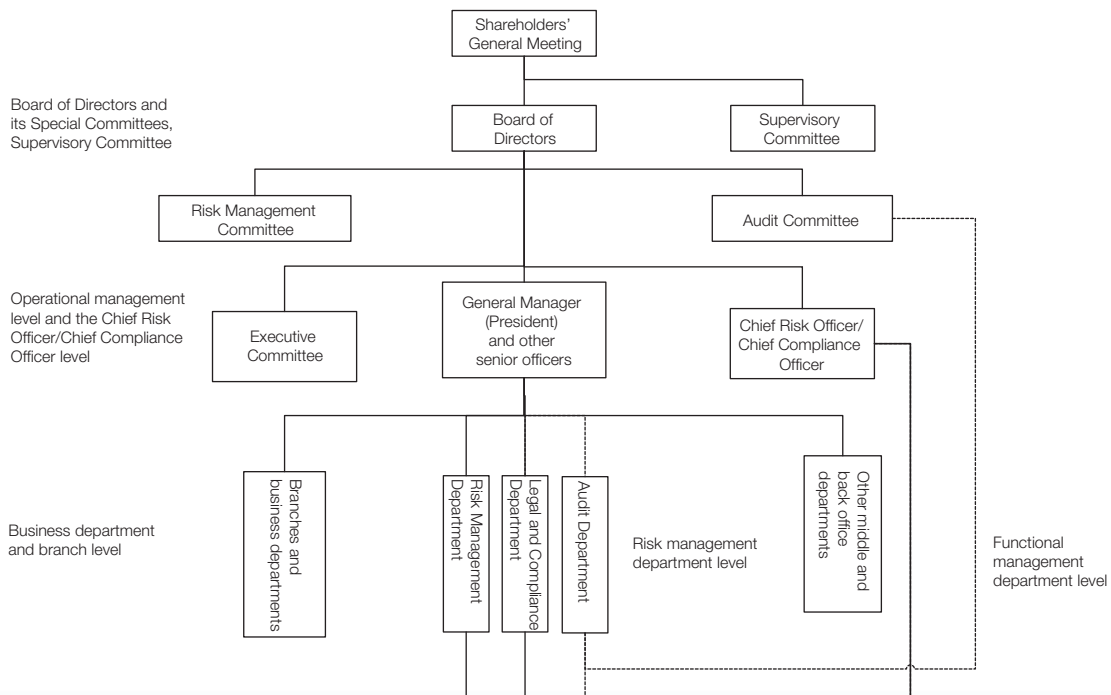
(V) RISK MANAGEMENT AT BRANCH LEVEL

1. Branch Executives

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

2. Compliance Managers and Regional Compliance Officers

The Company has a compliance manager at each branch, who is responsible for compliance management of the branch.





SECTION VI DIRECTORS' REPORT

I. MAJOR BUSINESS AND BUSINESS OVERVIEW

For details of the overall operation of the Company during the Reporting Period, future business development of the Company and the major risks faced by the Company, please refer to section "V. Management Discussion and Analysis". For details of the major events after the financial year, please refer to section "IX. Other Important Matters and Progress of Subsequent Events" under section "VII. Other Significant Events" of this report.

For the environmental policy and performance of the Company, please refer to "(VIII) Performance of Social Responsibilities" under section "XV. Other Disclosures" in this section. For details of the Company's compliance with the laws and regulations having major impact on the Company, please refer to "XII. Compliance Management and Other Matters" under section "X. Corporate governance Report" of this report.

For details of the relationship between the Company and its employees and customers and others having material influence on the Company, please refer to "VI. Details and remuneration of staffs" under section "IX. Directors, Supervisors, Senior Management and Staff" of this report and "(VIII) Performance of Social Responsibilities" under section "XV. Other Disclosures" in this report.

II. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PLAN

(i) Profit distribution for 2014

The "Resolution on the Profit Distribution Plan for 2014" was passed at the annual general meeting of the Company held on 29 June 2015, pursuant to which the Company was approved to pay the 2014 final dividend to holders of Domestic Shares and holders of H Shares whose names appear on the register of members of the Company on the record date. The cash dividend was denominated and declared in RMB, and payable in RMB to holders of Domestic Shares and in Hong Kong dollars to holders of H Shares, respectively. The actual amount distributed in Hong Kong dollars was calculated based on the average benchmark exchange rate of RMB against Hong Kong dollars announced by the People's Bank of China the five working days prior to the date of the 2014 annual general meeting of the Company (i.e. RMB0.78855 = HK\$1.00), and cash dividend per H Share payable to holders of H Shares was HK\$0.160354 (inclusive of tax). The profit distribution for 2014 was completed on 20 August 2015.

(ii) Profit distribution plan for 2015

As audited and confirmed by the auditors, the Company recorded net profit of RMB9,558,452,091.45 for 2015.

1. According to the requirements of the "Company Law", the "Securities Law", the "Financial Rules for Financial Enterprises" and the "Articles of Association", profit distribution in respect of the undistributed profits for 2015 will be made in accordance with the following arrangements:

- (1) Allocating 10%, being RMB955,845,209.15 to the statutory reserve;
- (2) Allocating 10%, being RMB955,845,209.15 to the general risk reserve;
- (3) Allocating 10%, being RMB955,845,209.15 to the transaction risk reserve;

After setting aside the reserves above, the profit available for distribution to shareholders for 2015 is RMB6,690,916,464.00.



SECTION VI DIRECTORS' REPORT

2. Taking into account of the Company's long-term development and the interests of shareholders, the following distribution plan was proposed:
 - (1) The Company proposes to distribute cash dividend of RMB3,130,010,721.86 (inclusive of tax) for 2015, representing 46.78% of profit available for distribution to shareholders for the year. Based on the total number of issued shares of 9,537,258,757 shares on the register of members of the Company held by holders of Domestic Shares and H Shares as at 31 December 2015, cash dividend per 10 shares will be RMB3.28188 (inclusive of tax and the actual amount distributed may be different due to rounding). In case of any changes in the total number of issued shares of the Company on the record date by reason of placing or repurchase, the amount of cash dividend per share will be adjusted accordingly, up to a total of RMB3,130,010,721.86 (inclusive of tax).
 - (2) The cash dividends will be denominated and declared in RMB, and paid in RMB and in Hong Kong dollars to holders of 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 dollars announced by the People's Bank of China the five working days prior to the date of the annual general meeting of the Company.

Subject to approval of the resolutions relating to the 2015 profit distribution plan by the annual general meeting, the cash dividends will be paid within two months from the date of the annual general meeting.

The Company will announce in due course the date for the 2015 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 2015 annual general meeting. The Company will make further notice on the record date, the closure date of its register of members and date of distribution of dividends.

III. ISSUANCE OF SHARES AND UTILIZATION OF PROCEEDS

(i) Utilization of proceeds

1. Use of proceeds from the IPO of H Shares

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

The Company undertakes in the H Share prospectus that 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, which mainly includes dealer-quoted bond repurchase transactions; and
- (3) Approximately 15% to be used to expand our capital investment business.

As at 31 December 2015, the Company has utilized HK\$7,909,593,010.04 (equivalent to RMB6,235,590,449.10) of the proceeds (including interest of deposits) on an accumulative basis. Due to the exchange loss of RMB72,387,100.94 arising from the difference between the actual exchange rate of Hong Kong dollars and the estimated exchange rate adopted at raising of the proceeds, the actual amount of Renminbi available for utilization by the Company decreased accordingly and the sum of total actual investment amount and the exchange loss amounted to RMB6,307,977,550.04. The balance of previously raised proceeds in the Company's bank account was RMB98,884,377.34, including the outstanding issuance expenses of the public offering and placing of H Shares as well as interest income.

SECTION VI DIRECTORS' REPORT

2. Use of proceeds from the placing of H Shares

In May 2015, the Company completed the placing of 2 billion H Shares. For the reasons and details of the placing of H Shares, please refer to “V. Significant Financing Activities” under Section “V. Management Discussion and Analysis” of this report. The Company received an aggregate of gross proceeds of HK\$23,980,000,000.00. After deducting the transaction expenses and levy expenses, the actual proceeds amounted to HK\$23,978,153,540.00. The total amount of proceeds amounted to RMB18,923,097,600.00. After deducting issuance expenses equivalent to RMB58,820,634.60, the actual net proceeds raised by the Company was a sum equivalent to RMB18,864,276,965.40.

The Company undertakes in the announcement in relation to the placing of H Shares that the net proceeds will be used for the following purposes:

- (1) Approximately 60% to be used in margin financing and securities lending business and dealer-quoted securities repurchase business;
- (2) Approximately 15% to be used in other capital-based intermediary business;
- (3) Approximately 15% to be used in investment and innovative business; and
- (4) Approximately 10% to be used to replenish the working capital of the Company.

As at 31 December 2015, the committed investment amount for raised proceeds was RMB18,864,276,965.40 while the actual investment amount was RMB19,122,144,915.38 (including: foreign exchange gain of RMB253,749,452.77 due to the difference between the actual HK\$ exchange rate and the exchange rate used for the calculation of proceeds raised; and interest income of RMB4,118,497.21 from the actual credited proceeds). The remaining balance of raised proceeds from the placing of H Shares in the Company's bank account was RMB47,413,719.06, which has been fully transferred into the account in Bank of China (Hong Kong) Limited, including the outstanding issuance expenses and interest income.

The IPO of H Shares as well as the deposit and actual situation of raised proceeds has been audited by Deloitte Touche Tohmatsu CPA LLP.

(ii) Use of proceeds for promised projects

1. Use of proceeds from the IPO of H Shares (RMB in thousand)

Name of project	Change of the project or not	Amount proposed to be invested	Amount invested for the year	Actual cumulative investment amount	In line with planned schedule or not	Project progress	Anticipated earnings	Accumulated earnings generated	In line with anticipated earnings or not	Explanation for failure to reach the planned schedule and earnings	Reason for changes and explanation on the change of procedures
Margin financing and securities lending business	No	6,284,158	25,515	3,715,415	Yes	100.00%	-	729,241	-	-	-
Capital-based intermediary securities trading business	No		10,892	1,580,977	Yes		-	425,789	-	-	-
Capital investment business	No		6,536	939,198	Yes		-	619,002	-	-	-

SECTION VI DIRECTORS' REPORT

2. Use of proceeds from the placing of H Shares (RMB in thousand)

Name of project	Change of the project or not	Amount proposed to be invested	Amount invested for the year	Actual cumulative investment amount	In line with planned schedule or not	Project progress	Anticipated earnings	Accumulated earnings generated	In line with anticipated earnings or not	Explanation for failure to reach the planned schedule and earnings	Reason for changes and explanation on the change of procedures
Margin financing and securities lending business	No	18,864,277	11,474,934	11,474,934	Yes	100.00%	-	649,601	-	-	-
Capital-based intermediary securities trading business	No		2,867,704	2,867,704	Yes		-	265,439	-	-	-
Capital investment business	No		2,867,704	2,867,704	Yes		-	65,413	-	-	-
Replenishing working capital	No		1,911,803	1,911,803	Yes		-	153,522	-	-	-

(iii) Explanation on the change of use of proceeds

There is no change of use of proceeds.

IV. BOND ISSUANCE

For details of the bond issuance of the Company during the Reporting Period, please refer to "V. Significant Finance Activities" under section "V. Management Discussion and Analysis" of this report.

V. LIST OF DIRECTORS

For the list of Directors of the Company, please refer to section "IX. Directors, Supervisors, Senior Management and Staff" in this report.

VI. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

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

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



SECTION VI DIRECTORS' REPORT

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

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

IX. RIGHTS OF THE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

X. 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

As described in the voluntary announcement of the Company dated 9 July 2015 in relation to the participation of Directors, Supervisors, senior management and employees in a collective investment scheme, Directors, Supervisors, senior management of the Company who satisfy certain conditions are planning to voluntarily invest, with their own funds, in a collective investment scheme (i.e. Galaxy Wenhui products (“銀河穩匯”)) which will be offered to all customers of the Company and intended to primarily invest in H Shares of the Company (as well as other securities). The collective investment scheme shall be implemented by the manager of the scheme at his/her absolute discretion, including but not limited to adjustment to investment portfolio and purchase and disposal of investment products). The Directors, Supervisors and senior management invested a sum of RMB45.97 million in the collective investment scheme, but they are not aware of the number of H Shares of the Company included in the collective investment scheme.

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

XI. MANAGEMENT CONTRACTS

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

XII. PERMITTED INDEMNITY PROVISION

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

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



SECTION VI DIRECTORS' REPORT

XIII. EQUITY-LINKED AGREEMENT

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

XIV. MAJOR CONTRACTS BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER

For details of the major contracts between the Company and its subsidiaries and the controlling shareholder and its subsidiaries during the Reporting Period, please refer to "III. Connected Transactions" under Section "VII. Other Significant Events" of this report.

XV. OTHER DISCLOSURES

(i) Pre-emptive rights

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

(ii) Sufficient public float

As at the latest practicable date prior to the printing of this report and based on the information available to the Company and to the knowledge of the Directors, the Company has a public float of 38.70%, which satisfies the relevant requirements of the Listing Rules.

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

Nil.

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

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

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



SECTION VI DIRECTORS' REPORT

(v) Reserves and distributable profit reserves

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

(vi) Major clients and suppliers

The Company provides services for various types of individual and institutional clients in many industries. The customers of the Company include multinational corporations, medium and small-sized enterprises, high-net-worth clients and retail clients. Major clients of the Company are located in the PRC. The Company expects the number of overseas clients to increase as it expands to overseas markets. In 2015, the revenue derived from the top five clients of the Company accounted for 2.31% of its revenue and other income.

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

(vii) Property and equipment

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

(viii) Performance of Social Responsibilities

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

1. The Company advocates healthy enterprise culture

- (1) Devote much effort in the innovation of advertising enterprise culture and actively implement enterprise culture to create a favorable environment for the reform and development of the Company. Firstly, the Company has organized 5 lectures on enterprise culture and published 19 times in the column of “Sharing of Good Articles”. Secondly, the Company has regulated the registration and use of its trademarks and strengthened the registration and management of such trademark, established trademark management rules, which further enhances the protection of intangible assets of the Company. Thirdly, the Company has improved the usage of its commercial word library. Fourthly, the Company has improved its VI (visual image) management and made timely amendments to the VI manual and ancillary rules to standardize the use and management of the Company's trademarks. Fifthly, the Company has spread enterprise culture and provided a communication platform for employees through its intra-company publication “Galaxy”, website, party, communist youth league, trade union and various levels of organizations. At the “2015 Enterprise Internal Publication Summit & 2014 Excellent National Enterprise Internal Publication Awarding Ceremony” organized by the China News Training Website, “Galaxy”, the Company's internal publication, won the first prize of 2014 Excellent National Internal Publication Award. Sixth, the Company completed an initial draft of its milestone record.
- (2) Make full use of industry media and the Company's own platform to enhance brand advertisement and strengthen external communication. First, the Company makes full use of its website for publicity. Second, the Company establishes a good corporate brand image through active participation in the activities arranged by regulatory authorities and trade associations and relevant media promotion.



SECTION VI DIRECTORS' REPORT

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

The Company strictly follows the related state laws and regulations regarding environmental protection. During the Reporting Period, there was no material environmental protection issue. During its operation, the Company actively promotes environmental protection concept and implements low carbon and green operation policy by encouraging paperless office and saving water and office products in order to save the resources for the Company and society and contributes to building an environmental friendly society.

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

- (1) Define duties, strictly assign responsibilities and carry out the principal responsibility system.
- (2) Strengthen internal enterprise management and do security and stability maintenance work well. First, adhere to the principle of “prevention first, active prevention”, establish a sound system and improve measures in order to realize accountability. We should raise political sensitivity and focus on security and stability maintenance work during key sensitive periods such as the “two sessions”, the World Athletics Championships and the 70th anniversary of the Victory of World Anti-Fascist War and Parade. Second, seriously implement the guiding principle for fire-fighting of “prevention first and combination of prevention and fighting”, and strengthen trainings to all staff on fire-fighting knowledge and management of fire-fighting facilities and equipment at the headquarters of the Company. Third, improve security and fire safety awareness of staff through trainings on safety knowledge provided to new staff at the headquarters of the Company.
- (3) Formulate emergency treatment measures, regularly carry out safety drills, and amend and improve emergency plans from time to time.
- (4) Attach importance to the safe operation of the information system. According to the national and international best practice of information safety management systems and standards, the Company has formulated safety management and production rules and regulations, including the “Information Safety Protection Management Measures”, and the “Information System Operation and Maintenance Management Measures”, so as to develop information safety management and safety production in an efficient and standardised manner.
- (5) No major failure has occurred in the information system of the Company throughout 2015. The Company provides resources to support the operation and maintenance of its information and technology system and ensure the safe operation under the continuously intensive market environment and protect the interests of investors to the maximum.

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

(1) The Company organized investor education activities

In order to better protect the interests of investors and further enhance the awareness of self-protection of investors, the Company organized investor education activities with a theme of “You and I protect investment together” in 2015. Taking into account the “Opinions on Further Strengthening the Protection of Legal Rights and Interests of Medium and Small-sized investors in the Capital Market “ issued by the General office of the State Council, the Company normalized and continued to provide investment education to remind investors at all times to protect their legal rights and interests and to increase their ability to protect themselves against risks of financial fraud, which will assist investors in avoiding mistakes in investment and managing their investment risks.



SECTION VI DIRECTORS' REPORT

- (i) In March 2015, the Company carried out the activity “Protecting my Investment—3.15 Investor Protection Promotion Month” for a term of one month, for the purpose of further strengthening the protection of investors. Through the launch of promotional activities in various channels and in different ways, the awareness of investors for protection of rights were enhanced.
 - (ii) In May 2015, to meet the needs of educating investors about the National Equities Exchange and Quotations for medium and small-sized enterprises, suitability management and unusual customer trading management, to fully protect the interests of investors and to encourage investors to keep a rational investment mind, the Company conducted “Investor Education about the National Equities Exchange and Quotations for Medium and Small-sized Enterprises” promotion activities and designed the Investor Education Manual on the National Equities Exchange and Quotations to carry out the activities and to encourage investors on self-learning.
 - (iii) In June 2015, in order to effectively raise investors’ awareness against and their ability to identify illegal fund raising and curb the harm to the society brought by illegal fund raising from the source, the Company continued to carry out the promotion activities against illegal fund raising and improved the long-term promotion and education mechanism for preventing and fighting illegal fund raising. Ongoing promotion activities have played a positive role in encouraging investors to establish rational investment mind and facilitating a better understanding of the securities market.
 - (iv) In November 2015, in order to further strengthen the integrity of the capital market and raise the integrity awareness of market participants, the Company organized investor education activities with a theme of “Integrity is the foundation for continuous healthy development of the capital markets”. Through on-site promotion, SMS and WeChat marketing, investor lesson and quiz, it delivered the capital market integrity idea to investors and encouraged them to participate in the investment in the capital market with integrity.
 - (v) In November 2015, in order to protect the lawful interests of investors and raise investors’ awareness against and their ability to identify illegal securities activities, the Company organized one-month promotion activities with a theme of “staying away from illegal securities activities and passing on positive energy”. In addition, as a sponsoring entity, the Company together with the Securities Association of China successfully held the launch ceremony of the illegal securities activities being the jogging exercise with a theme of “staying away from illegal securities activities and passing on positive energy”. Many institutional and individual investors participate in the activities, which has successfully promoted a healthy and rational investment mind, fulfilled the purpose of jointly fighting illegal securities activities and passing on positive energy, and effectively enhanced the investors’ ability to identify and awareness against illegal securities activities.
- (2) The Company focused on appropriate sales and services and educated and served the investors**
- (i) In May 2015, at the request of regulatory authorities, the Company organized its branches to conduct self-inspections on the protection of investors’ rights in three areas being “investor education”, “suitability management” and “customer complaint handling” and conducted random inspections on certain branches in line with the requirements of suitability management of key activities in order to strengthen the effectiveness of the self-inspections. By the end of June 2015, upon completion of correcting the problems identified in the self-inspections and random inspections of branches, the ability of the branches to implement suitability management for investors has been further enhanced.



SECTION VI DIRECTORS' REPORT

- (ii) Continue to standardize and improve the system and process of suitability management. In 2015, the Company established and circulated the "Implementation Rules of China Galaxy Securities Co., Ltd. for Suitability Management for Investors in the Growth Enterprise Market" in accordance with the requirements of suitability management in the Growth Enterprise Market; revised the "Implementation Rules of China Galaxy Securities Co., Ltd. for Suitability Management for Investors in the Bonds Market" according to the suitability adjustment for investors in the bonds market issued by the SSE and the SZSE; and amended its internal implementation rules for suitability management for investors of private bonds for medium and small-sized enterprises according to the "Circular on Matters regarding Strengthening the Prevention and Control of Risks relating to Private Bonds for Medium and Small-sized Enterprises" issued by the SSE and the SZSE.

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

The Company regularly promoted activities through various channels and by various means, and promoted the importance of the shareholders' rights to investors. It promoted the awareness of shareholders and the ideas of rational investment and value investment among investors. Through on-site visits of listed companies, investors were stimulated to participate in activities, which enabled investors to further build up their awareness of shareholders' rights and strengthen their self-protection ability. In November 2015, the Company actively participated in the "I'm a Shareholder" (我是股東) investor education activities held by the SSE. It held two special activities in Kunming with the theme of "Accessing Listed Brokers" (走進上市公司券商), and investors participated in these activities through site visit and video streaming online.

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

In 2015, the Company completed the survey of investors' confidence, the survey of market hot spots and various special or integrated surveys as scheduled in accordance with the sampling plan for investors surveys and survey matters formulated by China Securities Investor Protection Fund Corporation Limited, which provided support to regulatory authorities in understanding the expectation of investors and research on securities market. The Company recorded strong performance in the "Selection of Listed Companies Most Respected by Investors in 2015" and "Selection of Board Secretary of Most Popular Listed Companies with Investors in 2015", and won the Market Contribution Award of Most Respected Listed Companies by Investors.

(5) The Company organized a finance challenge game for national college students majored in finance to cultivate future market participants

In order to cultivate qualified market investors and educate and protect investors from the source, the Company partnered with Wind Information to hold two "China Galaxy Cup" (中國銀河杯) finance challenge games for national college students in 2015, and attracted nearly 80 thousand students from more than 800 colleges and universities nationwide for registration and participation. During the event, the Company arranged professionals to conduct on-site investor education activities at renowned universities including Beijing University, Renmin University, Tsinghua University, Fudan University, Zhejiang University and Wuhan University, in order to help the students who will be the future market participants understand the capital market early and establish rational investment mind, which has played a positive role in enhancing brand awareness and social influence of the Company and also demonstrated its spirits of taking the initiative to conduct investor education and actively performing its social responsibilities.



SECTION VI DIRECTORS' REPORT

5. The Company strived to improve customer services

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

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

The Company continued to promote the development of its "Jiutian Wealth" (久添財富) customer service system. It has established and promulgated 10 rules including the "Measures of China Galaxy Securities Co., Ltd. for Management of Customer Services for Brokering Business". Major modules including Jiutian Wealth, account upgrade, value-added service award, customer service points, information products, financial products and service products have been launched and the personal service process appraisal module is in the process of testing. The Company also launched its mobile application. Such customer service system will effectively improve the service of marketing personnel, stimulate the energy of service personnel and enhance customer stickiness, thereby forming a long-term service competitiveness.

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

In line with industry development, the Company further improved its margin financing and securities lending service system by launching its margin financing and securities lending VIP system to meet the needs of T+0 high frequency trading customers and to increase the revenue from worth management for institutional customers. The Company also promoted its innovative "Easy Financing" (資易融) products to meet the special needs of its core VIP customers in the environment of tight credit limit for margin financing and securities lending and to improve customer experience.

The Company promoted continuous rapid growth of its financial products with marketing contests. It organized marketing contests including "Embracing the Era of Private Equity • Cross-year Private Equity Product Marketing Contest" (迎接私募時代•跨年私募產品推進賽), "Expanding Size • Win Bull Market Product Sales Semi-annual Contest" (拓規模•贏牛市產品銷售雙季賽) and "Cross Bull and Bear Markets • Quantitative Product Promotion Season" (跨越牛熊•量化產品拓展季), and successfully seized the historic market opportunities to make significant breakthroughs in developing and introducing private equity products, in sales of financial products and in raising revenue. In addition, the Company designed diversified products to meet customers' different needs for financial products and to help realize the appreciation of customers' wealth, which has laid a solid foundation for the Company's development of private equity business.

During the period from January to June 2015, the Company conducted the "One Code Pass • Bonus for Account Opening" (一碼通•開戶紅) contest, which produced good results, with new customers reaching 1,085,200 during the period. In active response to the "one person with multiple accounts" policy, the Company simplified its business handling process and strengthened business innovations to ensure rapid business growth. The Company is among the first few brokers being authorized to implement the "one person with multiple accounts" policy, the first in the industry to achieve 365*7*24 off-site account opening, and one of the first few brokers who provide account opening services through WeChat and launch bank-broker cooperation through QR code. Such measures have effectively enhanced customers' experience and realized the online-offline combination by leveraging the business and network advantages of the Internet.



SECTION VI DIRECTORS' REPORT

(3) Actively planning for PB business and improving PB services

In 2015, the Company continued to promote its PB business development. It established a private equity service system, improved its product risk assessment system, and actively promote the custody and outsourcing business. It accurately captured the opportunities brought by private equity brokering business to provide high-end institutional customers such as hedge funds with one-stop comprehensive financial services including centralized custody and settlement, back-office operation, leveraged financing, fund raising and had established sound reputation in the industry.

(4) Developing of innovative business such as Hong Kong Stock Connect and stock options to provide customers with more business services

To develop the Hong Kong Stock Connect business and to seize the opportunities brought by the launch of Hong Kong Stock Connect, the Company held an “Invest through Hong Kong Stock Connect • Enjoy T+0” (投資港股通•享受T+0) marketing contest.

2015 was the first year of stock option business. Since the launch of ETF options by the SSE on 9 February 2015, the Company's stock option business met the objective of “stable operation without major risks or accidents”. Its business operation system and information technology systems passed the practical test. In view of market conditions and starting with the “risk hedge” function of stock option products, the Company conducted series of investor education and business contests and developed an effective business promotion model.

(5) Actively responding to the abnormal fluctuation of stock market to effectively protect customers' interests, without major risks incurred for margin financing and financial products

With the widespread plunge in stock prices, the Company carried out risk prevention and control and made responses in respect of the margin financing and securities lending business in an orderly manner. It took the initiative to control risks at all business links to keep the margin financing and securities lending business at a reasonable size, and properly dealt with customers' complaints and comforted them during the period of abnormal fluctuation of stock market in order to promote the sustainable healthy development of its margin financing and securities lending business.

The Company improved the sophistication degree of its products, strengthened risk awareness, raised the standards for risk control and due diligence, and reinforced product marketability management. During the period of abnormal fluctuation of stock market, the Company held video discussion for multiple times, at which the managers and investment consultants of the products the prices of which dropped to the warning level were invited to answer questions regarding the product net worth and operation, passed on information to customers in a timely manner, and urged product managers to perform their obligations in strict compliance with the product agreement and provide maximum protection for investors.

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

- (1) In accordance with the needs of society in combining research with practice, the Company actively invited college students to work as interns at the Company to raise their practical abilities and their competitiveness. In 2015, 276 college students had worked as interns at the Company.
- (2) In 2015, the Company actively responded to the call of the SASAC and the Ministry of Education in the “Notice Concerning State-owned Enterprises Employing College Graduates in 2013-2014” (Guo Zi Ting Fa Fen Pen [2013] No. 37), and employed 173 college graduates throughout the year.



SECTION VI DIRECTORS' REPORT

- (3) The Company retained and allocated core personnel urgently needed for business through internal and external recruitment channels and internal deployment to support the Company's strategic transformation, to cope with the rapid growth of the New OTC Board and internet financial business, and to enhance the core competitiveness of the key business of the Company.
- (4) The Company established a long-term talent cultivation system to expand the professional development channels of employees and to build a professional, international, marketized team consisting of key talents and backup talents through cultivation in various channels.

7. The Company adheres to the people-oriented philosophy and uses marketization as a guide to boost scientific management of human resources

- (1) In the course of deepening reform, the Company balances the strength of reforms, the pace of development and the bearing ability of employees. While keeping posts and remuneration of employees relatively stable, the Company employs a group of young and excellent talents by two-way selection and public recruitment, ensuring that the Company has basically established a marketized employment system of "able to move up and down, able to go in and out" and maintained smooth running of operations and the stability of employees while avoiding layoff under normal trading condition. This reflects the "people-oriented" philosophy and high sense of social responsibility of the Company.
- (2) The Company continued to advocate the philosophy of "back desk serving front desk, head office serving branches, and front desk and branches serving clients". Guided by this philosophy and through reforms on a pilot basis, the Company has boosted the internal marketization reform of the back desk, which obviously increased the service consciousness and the idea of market and client orientation, and further improved customer service abilities.
- (3) The Company carried out occupational education and training among employees to help them attain individual improvement and career development and to contribute to the building up of talented teams in the securities industry. In 2015, it conducted 11 sessions of comprehensive ability improvement trainings targeting all staff of the Company with coverage ratio of 100%, which related to 13 areas in three major categories namely career quality, new products and business and expertise. The trainings produced positive results and were well received, which had effectively improved the comprehensive ability of staff.
- (4) The Company actively boosted the construction of the supplementary guarantee system such as annuity. The Company's annuity plan began to operate in August 2011. Over 6,000 employees have taken part in the plan. At present, the plan is implemented smoothly with stable proceeds. The implementation of the Company's annuity plan reflects the Company's protection and care for its employees, provides good incentive to employees and enhances employees' confidence and expectation in the sustainable development of the Company, which further increases the cohesion of the Company. Furthermore, the Company provided supplementary medical coverage for all employees.
- (5) The Company enhanced the construction of the employees' representative conference system to protect the lawful rights and interests of employees effectively, and actively carried out assistance and relief activities. At the arrival of the 2015 Spring Festival, the Company granted subsidies to the seriously ill, internal retirees, retirees, labor role models in difficulty and employees in special difficulty. The Company also sent its greetings through various means to employees for their birthdays, weddings and births of children.



SECTION VI DIRECTORS' REPORT

8. The Company actively took part in charities

The Company donated RMB2 million to the designated poverty reduction region, Jingning County in Gansu Province, for the construction of “Galaxy Experimental Primary School”, “Galaxy Poverty Reduction Training Center”, “Galaxy Modern Apples”, advancement project of the whole village and for the project of assisting outstanding students in poverty. The Company continued to improve the layout of “Galaxy Primary Schools” in minority regions, with one new “Galaxy Primary School” built in 2015. The Company donated RMB1 million for the construction of a “Galaxy Primary School” in Hetian County, Xinjiang. The Company donated RMB500,000 for the construction of the teaching buildings of a “Galaxy Primary School” located in Shuangfeng, Yongshan County, Yunnan which was heavily damaged due to earthquake.

As at the end of 2015, the Company made donations for the construction of a total of 7 “Galaxy Primary Schools” in minority areas, being a Galaxy Primary School in Jingning County, Gansu Province, a Galaxy Primary School in Hongsibao, Wuzhong City, Ningxia, a Galaxy Primary School in Bingxi Village, Shibing County, Guizhou, a Galaxy Primary School in Yangbajing Township, Lhasa, Tibet, a Galaxy Primary School in Mingshui Township, Arshaan City, Inner Mongolia, a Galaxy Primary School in Yongshan County, Yunnan Province and a Galaxy Primary School in Hetian County, Xinjiang. The total donations amounted to RMB7 million.

To broaden the horizon of outstanding students at the Galaxy Primary Schools in minority regions, the “National Galaxy Primary Schools – Galaxy Dream” (全國銀河小學—銀河夢) Summer Camp was successfully held in July 2015. Influenced by the Company’s effort in giving back to the society, various branches also followed suit. All staff of Qingyang Road Securities Branch in Lanzhou went to the Experimental Elementary School in Jingning County, Gansu Province where they held a donation activity with a theme of “Galaxy Dream & China Dream” (銀河夢•中國夢). The staff at the branch voluntarily donated RMB6,500 in cash, over 2,000 books, and more than 200 pieces of sport goods including basketballs, footballs and badminton.

During the year of 2015, the Group made social donations of RMB4.429 million in total to the society.

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

24 March 2016



SECTION VII OTHER SIGNIFICANT EVENTS

I. MATERIAL LITIGATION AND ARBITRATION

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

13 legal cases including the ones been carried forward to the Reporting Period from previous years and newly incurred during the Reporting Period, were closed during the Reporting Period, in which two cases were closed due to plaintiffs' withdrawal. One case was closed due to mediation and 10 were closed by judgments and adjudication. The Company was required to compensate approximately RMB74,000 due to mediation and judgment the enforcement of which has been completed.

(ii) Material litigation and arbitrations

During the Reporting Period, there has been no new significant litigation and arbitration involving the Company and its branches where the amount involved exceeds RMB10 million. The details and progress of the pending significant litigations disclosed in the 2014 Annual Report of the Company are as follows:

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

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

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

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

On 14 April 2015, Cai Jinglin and Cai Hualin appealed to the People's High Court of Guangdong Province. In September 2015, the People's High Court of Guangdong Province decided to reject the appeal by Cai Jinglin and Cai Hualin.

2. Civil proceedings arising from Yu Xiaolei's illegal absorption of public's deposits

From 12 to 14 March 2013, Tang Latou, customer of the sales department of Jiangdongzhong Road branch in Nanjing of the Company, with the assistance of Li Lei, a former employee of the sales department of the same company, invested in bank acceptance bills business through Yu Xiaolei, a client manager of the sales department of another securities firm. Yu Xiaolei promised to pay high interest on the funds participated in bank acceptance bills business. Li Lei and another employee of the Jiangdongzhong Road branch also invested in the bank acceptance bills business. After that, the Gulou District People's Court of Nanjing sentenced Yu Xiaolei to 8-year imprisonment for illegal absorption of the public's deposits.



SECTION VII OTHER SIGNIFICANT EVENTS

Since Tang Latou cannot collect his money, he filed a lawsuit on 15 April 2013 with the Jianye District People's Court of Nanjing against the Jiangdongzhong Road branch in Nanjing and the Company as codefendants, claiming a sum of RMB8.614 million plus interest.

On 10 June 2015, Jianye District People's Court of Nanjing reached decision for the first trial and rejected the request by Tang Latou. On 16 July 2015, Tang Latou appealed to the Intermediate People's Court of Nanjing. On 19 November 2015, the Intermediate People's Court of Nanjing reached its decision for the second trial and rejected the appeal by Tang Latou.

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

II. MATERIAL LEASE AND PURCHASING CONTRACTS AND EXECUTION

The Group and Galaxy Investment entered into a property lease contract under which the annual rent for 2015 was RMB 97.1795 million. The Company and TravelSky Technology Limited entered into a co-operation agreement (plant lease) under which the annual rent for 2015 was RMB19.0016 million. The Company and China Unicom entered into a property lease contract for a term of 5 years under which the annual rent was RMB53.7631 million. The aforementioned contract amounts were paid quarterly or monthly. As at the end of the Reporting Period, the Company had paid RMB9.4644 million (contract amount of RMB11.8498 million) to Shenzhen Kingdom Technology Co., Ltd. (深圳市金證科技股份有限公司) under the software and customized development contract; and the Company paid RMB7.4550 million (contract amount of RMB26.3667 million) to Shanghai Stock Communication Co., Ltd. (上海證券通信有限公司) under the server custody service contract. Save for the above, during the Reporting Period, the Company had not engaged in any material lease and purchases (over RMB10 million) and no such matters were carried forward to the Reporting Period from the previous period, nor was there any material external guarantee.

III. CONNECTED TRANSACTIONS

For related party transactions as defined by the relevant accounting standards during the Reporting Period, please refer to "Related Party Transactions" under Note 51 of the Consolidated Financial Statements for details. Of these related party transactions, the transactions between the Company and Galaxy Financial Holdings (Note 51(1)) as well as the transactions between the Company and Galaxy Fund Management and the transactions between the Company and Galaxy Capital Asset Management Limited (a subsidiary of Galaxy Fund Management) (Note 51(4)) constituted continuing connected transactions under Chapter 14A of the Listing Rules, and such transactions are included in and regulated by the Securities and Financial Services Framework Agreement entered into between the Company and Galaxy Financial Holdings (please see below for details). Other related party transactions did not constitute connected transactions under Chapter 14A of the Listing Rules.

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. On 29 December 2015, the Company and Galaxy Financial Holdings entered into the



SECTION VII OTHER SIGNIFICANT EVENTS

Supplemental Agreement to the Securities and Financial Services Framework Agreement (the “Supplemental Agreement”), whereby the term of the Framework Agreement was renewed to 31 December 2018 and it is renewable for another three years subject to compliance with the relevant laws and the Listing Rules. As Galaxy Financial Holdings holds 54.71% of the issued share capital of the Company, it is the controlling shareholder and therefore a connected person of the Company. As such, the transaction constitutes a continuing connected transaction of the Company under the Listing Rules.

For the year ended 31 December 2015, the annual cap of the service charges and commissions payable by Galaxy Financial Holdings Group to the Group for the provision of securities and financial services under the Framework Agreement is RMB575 million, and the cap of the interest payable by the Group to Galaxy Financial Holdings Group for the entrusted funds is RMB20 million. For the three years ended 31 December 2018, the annual caps of the service charges and commissions payable by Galaxy Financial Holdings Group to the Group for the provision of securities and financial services under the Framework Agreement (as renewed by the Supplemental Agreement) will be RMB530 million, RMB580 million and RMB640 million, respectively, and the annual caps of the interest payable by the Group to Galaxy Financial Holdings Group for the entrusted funds will be RMB40 million, RMB60 million and RMB80 million, respectively.

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

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

Unit: RMB in 10 thousand

	2015	Annual cap for 2015
Revenue		
Securities brokerage services	7,311.35	
Sales agency services	10,948.54	
Leasing of exchange trading units	5,001.95	
Other related securities and financial services	1,081.88	
Total	24,343.72	57,500.00
Expenses		
Interest expenses	1,031.29	
Total	1,031.29	2,000.00

Notes:

1. Income from securities brokerage services is the income received from Galaxy Financial Holdings and Galaxy Assets Management for securities brokerage business;
2. Income from sales agency services is the income received from Galaxy Fund Management and Galaxy Assets Management for agency sale of financial products;
3. Income from leasing of exchange trading units is the commission received from the leasing of exchange trading units in respect of the funds managed by Galaxy Fund Management;
4. Income from other related securities and financial services is the targeted asset management income received from Galaxy Assets Management etc;
5. Interest expense is the interest expense for deposits payable to Galaxy Financial Holdings, Galaxy Fund Management and Galaxy Assets Management.



SECTION VII OTHER SIGNIFICANT EVENTS

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

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 or better;
- (3) are conducted in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of shareholders of the Company as a whole.

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

In respect of the disclosed continuing connected transactions:

- a. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors.
- b. for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.
- c. nothing has come to our attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- d. with respect to the aggregate amount of the continuing connected transactions, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate value for the entire year of 2015 disclosed in the announcement dated 7 August 2015 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. PUNISHMENTS IMPOSED AGAINST THE COMPANY AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND DEFECT RECOVERY

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

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

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

Nil.



SECTION VII OTHER SIGNIFICANT EVENTS

VII. CHANGES IN QUALIFICATIONS FOR INDIVIDUAL BUSINESSES

- (1) On 16 January 2015, China Securities Depository and Clearing Corporation Limited approved the grant of the qualification for options settlement business to the Company;
- (2) On 16 January 2015, the SSE approved the grant of the qualification of stock options trading participant on the SSE to the Company;
- (3) On 24 April 2015, China Securities Depository and Clearing Corporation Limited issued an no-objection letter to the Company regarding the Company's innovation plan of opening account through WeChat;
- (4) On 5 May 2015, National Association of Financial Market Institutional Investors approved the grant of the qualification for quotation business of debt financing instruments for non-financial corporations to the Company;
- (5) On 8 May 2015, Asset Management Association of China issued to the Company a Certificate of Membership of Asset Management Association of China;
- (6) On 29 May 2015, China Futures Association issued to the Company a Certificate of Membership of China Futures Association;
- (7) On 8 June 2015, Asset Management Association of China approved the grant of the qualification of record as outsourcing services institution of private investment funds business to the Company;
- (8) On 29 June 2015, Insurance Asset Management Association of China issued to the Company a Certificate of Membership of Insurance Asset Management Association of China.

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

In 2015, in the evaluation of securities companies by class by the CSRC, the Company was awarded the AA rating in A class for six consecutive years.

IX. OTHER IMPORTANT MATTERS AND PROGRESS OF SUBSEQUENT EVENTS

(i) Annual distribution plan

The Company's profit distribution plan for 2015 is set out in "II. Profit Distribution and Profit Distribution Plan" in section VI of this report.



SECTION VII OTHER SIGNIFICANT EVENTS

(ii) Subsequent material arbitrations and litigations

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

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

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

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

2. Civil action brought by four individuals including Che Jingwei against the Qinghuangdao Securities Branch and the Company in relation to the fraud by Che Chao individually, a former employee of the Qinghuangdao Securities Branch

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

As Che Chao was unable to settle the amount provided in the civil judgment, on 11 December 2015, four of the five victims including Che Jingwei, filed a civil action in front of the People's Court of Haicang District, in Qinghuangdao, applying for an order of the Qinghuangdao Securities Branch and the Company to refund them "wealth management money" of RMB16,083,383 in total.

The Company believes that these actions will not have direct material adverse impacts on the business, financial condition or operating results of the Company.

(iii) Subsequent capital increase

On 24 March 2016, the eleventh meeting of the third session of the Board of Directors passed the "Resolution on the Proposal for Increase in Registered Capital of the Hong Kong Subsidiary". In order to support the business development of Galaxy International Holdings, it is proposed to increase its registered capital by HK\$4 billion, after the capital increase, the registered capital of Galaxy International Holdings will be HK\$5 billion. Such capital will be injected by phase taking into account the operating condition of Galaxy International Holdings and its actual capital requirement.



SECTION VII OTHER SIGNIFICANT EVENTS

(iv) Others

1. On 6 November 2015, the Company received the Decision Letter on Administrative Regulatory Measure [2015] No. 77 from the CSRC. As stated in the Decision Letter, the Company made external connections to third-party transaction terminal softwares which have sub-account functions, but did not provide effective management over its connections to external information systems, and did not have adequate understanding of the identities of relevant clients. During the self-inspection process of the Company, it was found that the Company did not file reports with respect to its connections to external information systems on certain occasions. The CSRC required the Company to suspend opening of new securities accounts for one month, during which period no new accounts for brokerage clients can be opened.

As mentioned in the announcement of the Company dated 18 November 2015, the above measure would not have any material adverse effect on the business, financial condition or operating results of the Company. The Company will follow the relevant regulatory requirements, strengthen management of its connections to external information systems, improve the client identity recognition process, so as to make contribution to the steady, sustainable and healthy development of the capital market.

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

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

- (1) The Company does not allow new contracts to be overdue. Clients will be informed repeatedly to settle the contracts in time before the contracts are due. Compulsory close position will be applied to unsettled contracts at maturity;
 - (2) The Company has settled all related overdue contracts;
 - (3) The Company has raised the asset requirement for clients of margin financing and securities lending opening accounts to RMB 500,000 as per the request of CSRC.
3. As described in the announcement of the Company dated 31 January 2016, it has recently come to the knowledge of the Board that due to personal reasons, Ms. Huo Xiaoyu, the vice president of the Company, was directed to cooperate with the judicial authority of the PRC.



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%	54.71%
Other shareholders of Domestic Shares	Domestic Shares	628,530,884	10.75%	6.59%
Public shareholders of H Shares	H Shares	3,690,984,633	100%	38.70%

II. CHANGES IN SHARES

During the Reporting Period, the Company issued 2 billion new H Shares. As at the end of the Reporting Period, the total issued shares of the Company was 9,537,258,757 shares, of which, 5,846,274,124 were Domestic Shares and 3,690,984,633 were H Shares.

III. INFORMATION OF SHAREHOLDERS

As at the end of the Reporting Period, the Company has 37 domestic shareholders and 1,150 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	54.71%	0	0	5,217,743,240	Nil
HKSCC Nominees Limited (Note 1)	Overseas legal person	3,690,984,633	38.7%	2,000,000,000	3,690,984,633	-	-
PICC Property and Causality Company Limited	State-owned legal person	114,381,147	1.20%	0	0	114,381,147	Nil
Shanghai Rural Commercial Bank Co., Ltd.	Social legal person	110,000,000	1.15%	0	0	110,000,000	Nil
Bank of Lanzhou Co., Ltd	Social legal person	90,514,398	0.95%	0	0	90,514,398	Nil
Shanghai CICC Electric Technology Co., Ltd.	Social legal person	60,000,000	0.63%	0	0	60,000,000	Nil
China Resources Co., Ltd.	State-owned legal person	38,804,706	0.41%	0	0	38,804,706	Nil
Joincare Pharmaceutical Industry Group Co., Ltd	Social legal person	28,983,000	0.30%	0	0	28,983,000	Nil
Zhongshan Zhonghui Investment Group Company Limited	State-owned legal person	19,454,230	0.20%	0	0	19,454,230	Nil
Shenzhen State-Owned Dutyfree Commodity (Group) Co., Ltd	State-owned legal person	13,617,961	0.14%	0	0	13,617,961	Nil

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

As at the end of the Reporting Period, Galaxy Financial Holdings, the controlling shareholder of the Company, held 54.71% 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 Mr. Du Ping respectively.

SECTION VIII CHANGES IN SHARES AND INFORMATION OF SUBSTANTIAL SHAREHOLDERS

IV. DISCLOSURE OF INTEREST

At the end of the Reporting Period, 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 (note 1)	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
Huijin (Note 2)	Domestic Shares	Interests of controlled corporation	5,217,743,240	54.71%	89.25%	Long position
Galaxy Financial Holdings	Domestic Shares	Beneficiary owner	5,217,743,240	54.71%	89.25%	Long position
Franklin Templeton Sealand Fund Management Co., Ltd	H Shares	Investment manager	217,087,000	2.28%	5.88%	Long position
BlackRock, Inc. (Note 3)	H Shares	Interests of controlled corporation	188,070,435	1.97%	5.10%	Long position
	H Shares	Interests of controlled corporation	607,500	0.01%	0.02%	Short position
China Minsheng Investment Corp., Ltd. (Note 4)	H Shares	Interests of controlled corporation	198,000,000	2.08%	5.36%	Long position
Wenze International Investment Limited (Notes 5 & 6)	H Shares	Beneficial owner	198,000,000	2.08%	5.36%	Long position
Yan Yuqing (Note 5)	H Shares	Beneficial owner	198,000,000	2.08%	5.36%	Long position
Liao Shuang (Note 6)	H Shares	Beneficial owner	198,000,000	2.08%	5.36%	Long position
JPMorgan Chase & Co. (Note 7)	H Shares	Beneficiary owner/ Investment manager/ Custodian – Corporation/ approved leading agent	185,108,955	1.94%	5.01%	Long position
	H Shares	Beneficiary owner	28,072,311	0.29%	0.76%	Short position
	H Shares	Custodian – Corporation/ approved leading agent	70,550,334	0.74%	1.91%	Shares available for lending



SECTION VIII CHANGES IN SHARES AND INFORMATION OF SUBSTANTIAL SHAREHOLDERS

Note 1: 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.

Note 2: Huijin directly holds approximately 78.57% equity interest in Galaxy Financial Holdings and is therefore deemed to be interested in 5,217,743,240 Domestic Shares directly held by Galaxy Financial Holdings.

Note 3: BlackRock, Inc. holds 188,070,435 H Shares in long position and 607,500 H Shares in short position through various controlled entities. In addition, 1,681,000 H Shares in long position involve derivatives, of which the category is: unlisted derivatives – cash settled.

Note 4: China Minsheng Investment Corp., Ltd. is indirectly interested in 100% shares of CMI Financial Holding Corporation, and is hence deemed to be interested in the 198,000,000 H Shares held by CMI Financial Holding Corporation.

Note 5: Yan Yuqing is interested in 50% shares of Wenze International Investment Limited and is hence deemed to be interested in the 198,000,000 H Shares held by Wenze International Investment Limited.

Note 6: Liao Shuang is interested in 50% shares of Wenze International Investment Limited and is hence deemed to be interested in the 198,000,000 H Shares held by Wenze International Investment Limited.

Note 7: Out of the 185,108,955 H Shares in long position held by JPMorgan Chase & Co., 114,524,121 H Shares are held by JPMorgan Chase & Co. as the beneficial owner, 34,500 H Shares are held by JPMorgan Chase & Co. as the investment manager, 70,550,334 H Shares are held by JPMorgan Chase & Co. as the custodian – corporation/approved lending agent. In addition, 3,289,000 H Shares in long position and 10,822,311 H Shares in short position involve derivatives, of which the categories are:

- 7,263,500 H Shares in short position: derivatives listed and traded on a stock exchange or traded on a futures exchange – cash settled;
- 3,289,000 H Shares in long position and 161,000 H Shares in short position: unlisted derivatives – physically settled;
- 3,397,811 H Shares in short position: unlisted derivatives – cash settled.

Save as disclosed above, as at 31 December 2015, 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, except for newly issued 2 billion H Shares, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

VI. COMPLIANCE WITH UNDERTAKING BY CONTROLLING SHAREHOLDERS

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

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



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

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

Name	Position	Gender	Age	Appointment date	Total remuneration received from the Company during the Reporting Period (RMB 0'000)	Note
Chen Youan	Chairman and Executive Director	Male	58	Served as director on 5 January 2010 and elected as Chairman on the same date	174.44	Re-elected as Director on 29 June 2015
Gu Weiguo	Deputy Chairman, Executive Director, President and Chairman of the Executive Committee	Male	57	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	173.47	Re-elected as Director on 29 June 2015
Xu Guoping	Non-executive Director	Male	55	Elected as Director on 31 December 2005 and served as Director since January 2007	0	Resigned, effective from 29 June 2015
Wu Chengming	Executive Director, Secretary to the Board	Male	53	Served as Director since 21 August 2009, Secretary to the Board since 16 August 2012	339.33	Re-elected as Director on 29 June 2015
Li Chenghui	Non-executive Director	Male	63	Elected as Director on 31 December 2005 and served as Director since January 2007	0	Resigned, effective from 29 June 2015
Shi Xun	Non-executive Director	Male	58	19 August 2011	0	Re-elected as Director on 29 June 2015
Wang Shiding	Independent Non-executive Director	Male	72	Elected as Director on 31 December 2005 as served as Director since January 2007	13.79	Resigned, effective from 29 June 2015
Liu Feng	Independent Non-executive Director	Male	53	Elected on 22 April 2011	29.83	Re-elected as Director on 29 June 2015
Zhou Ruijin	Independent Non-executive Director	Male	77	25 January 2013	12.77	Resigned, effective from 29 June 2015



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Position	Gender	Age	Appointment date	Total remuneration received from the Company during the Reporting Period (RMB 0'000)	Note
Wu Yuwu	Independent Non-executive Director	Male	55	25 January 2013	24.77	Re-elected as Director on 29 June 2015
Qi Xiaoli	Employee Director, Non-executive Director	Female	57	20 November 2012	258.41	Resigned, effective from 29 June 2015
Du Ping	Non-executive Director	Male	53	29 June 2015	0	
Zhang Jinghua	Non-executive Director	Male	60	29 June 2015	0	
Luo Lin	Independent Non-executive Director	Male	66	29 June 2015	13	
Chi Fulin	Independent Non-executive Director	Male	65	29 June 2015	12	
Li Chaoyang	Employee Director, Non-executive Director	Male	57	29 June 2015	663.38	
Yu Wenxiu	Supervisor, Chairman of the Supervisory Committee	Male	59	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	168.53	Re-elected as Supervisor on 29 June 2015
Zhong Cheng	Supervisor	Male	53	Elected as Supervisor on 31 December 2005 and served as Supervisor since January 2007	260.05	Re-elected as Supervisor on 29 June 2015



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Position	Gender	Age	Appointment date	Total remuneration received from the Company during the Reporting Period (RMB 0'000)	Note
Wu Huanliang	External Supervisor	Male	64	22 May 2013	6.75	Resigned, effective from 29 June 2015
Gu Shulin	Employee Supervisor	Male	62	20 November 2012	264.00	Resigned, effective from 29 June 2015
Liu Zhiyi	Employee Supervisor	Female	52	22 May 2013	269.84	Re-elected as Supervisor on 29 June 2015
Chen Jijiang	Employee Supervisor	Male	50	29 June 2015	247.80	
Feng Heping	External Supervisor	Male	56	29 June 2015	6	
Chen Jing	Vice President, Member of the Executive Committee	Female	53	Appointed as Vice President in August 2007, and Member of the Executive Committee on 19 December 2012	166.01	
Huo Xiaoyu	Vice President, Member of the Executive Committee	Female	50	Appointed as Vice President in August 2007, and Member of the Executive Committee on 19 December 2012	167.30	
Zhu Yongqiang	Chief Officer of Brokerage Business, Member of the Executive Committee	Male	51	26 August 2013	301.83	
Wang Liuqi	Chief Officer of Equity Financing Business, Member of the Executive Committee	Male	45	Appointed as Chief Officer of Equity Financing Business on 23 March 2012, and Member of the Executive Committee on 19 December 2012	339.33	
Yin Yanwu	Chief Officer of Asset Management Business, Member of the Executive Committee	Male	42	31 December 2012	339.33	
Zhu Ruimin	Chief Financial Officer, Member of the Executive Committee	Female	46	Appointed as Chief Financial Officer on 23 April 2012, and Member of the Executive Committee on 19 December 2012	339.33	

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Name	Position	Gender	Age	Appointment date	Total remuneration received from the Company during the Reporting Period (RMB 0'000)	Note
Wu Jianhui	Chief Human Resources Officer, Member of the Executive Committee	Male	46	Appointed as Chief Human Resources Officer on 18 November 2011, and Member of the Executive Committee on 19 December 2012	339.33	
Li Shuhua	Chief Risk Officer/ Chief Compliance Officer, Member of the Executive Committee	Male	45	Appointed as Chief Risk Officer/Chief Compliance on 18 November 2011, and Member of the Executive Committee on 19 December 2012	339.34	Appointed as Chief Compliance Officer on 15 April 2010

Note 1: According to the requirements of related regulatory authorities and in compliance with corporate governance process of the Company, in July 2015, Directors, Supervisors and senior management who satisfied certain criteria, participated in the subscription of Galaxy Wenhui products with their deferred and unpaid remuneration in order to show their confidence in the Company and recognition in its investment value.

Note 2: 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 2015 is in the process of confirmation and will be disclosed after confirmation.

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

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

Name	Position(s) in the Company	Name of entities	Position(s) in other entities	
			Position(s)	Period in position
Chen Youan	Director and Chairman	Huijin	deputy general manager	July 2008 to present
		Galaxy Financial Holdings	director and chairman	Director: December 2009 to present Chairman: December 2009 to June 2011; December 2012 to present
		Galaxy Futures	director and chairman	October 2013 to present
Gu Weiguo	Director, Deputy Chairman, President, and Supervisor of Executive Committee	Galaxy Financial Holdings	director	June 2011 to present
		Galaxy International Holdings	director	February 2011 to present
		Zhengtong Co., Ltd.	director	January 2015 to present
Du Ping	Director	Galaxy Financial Holdings	general manager	February 2015 to present
Shi Xun	Director	Nil	–	–
Zhang Jinghua	Director	China Investment Securities	non-executive director	September 2005 to December 2015
Wu Chengming	Director, Secretary to the Board and Member of the Executive Committee	Nil	–	–
Liu Feng	Independent Non-Executive Director	McGill University, Canada	adjunct professor	January 2006 to present
		Swiss Trust Advisors AG	partner	July 2014 to present
		Shanghai Swiss Investment Consulting (Shanghai) Co., Ltd.	executive director	July 2014 to present
Luo Lin	Independent Non-Executive Director	Cinda Real Estate	independent director	January 2012 to November 2015
Wu Yuwu	Independent Non-Executive Director	The Chinese University of Hong Kong	professor	January 2002 to present
Chi Fulin	Independent Non-Executive Director	China Institute for Reform and Development	executive chairman of the board of directors, and director	May 2008 to present
Li Chaoyang	Employee Director	Zhejiang Branch of the Company	general manager	June 2011 to present



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Name	Position(s) in the Company	Position(s) in other entities		
		Name of entities	Position(s)	Period in position
Yu Wenxiu	Supervisor, and Chairman of the Supervisory Committee	Financial Branch of Institute of China Supervision	director	September 2012 to present
Zhong Cheng	Supervisor	Galaxy Financial Holdings	supervisor	August 2005 to present
		Galaxy Futures	supervisor, chairman of supervisory committee	July 2011 to present
Liu Zhiyi	Employee Supervisor	National Accounting Institute	adjunct professor	September 2012 to present
		China Institute of Internal Audit	member of textbook editing committee	March 2012 to present
Chen Jijiang	Employee Supervisor	Beijing Financial Street Human Resources Association	vice-chairman	July 2014 to present
Feng Heping	External Supervisor	Beijing branch, Price Waterhouse Coopers PLL	senior advisor	October 2014 to present
		Bank of Tianjin	independent director	March 2015 to present
Chen Jing	Vice President, Chairman of Labor Union and Member of the Executive Committee	銀河源匯投資有限公司	chairman and legal representative	10 December 2015 to present
Huo Xiaoyu	Vice President and Member of the Executive Committee	Galaxy International Holdings	director, chairman	June 2011 to the end of Reporting Period
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	director	December 2013 to present
Yin Yanwu	Chief Business Officer of Asset Management Business and Member of the Executive Committee	Galaxy Jinhui	director, chairman	September 2014 to present
Zhu Ruimin	Chief Financial Officer and Member of the Executive Committee	Nil	–	
Wu Jianhui	Chief Human Resources Officer and Member of the Executive Committee	Galaxy Capital	director	July 2011 to present
Li Shuhua	Chief Risk Officer/Chief Compliance Officer and Member of the Executive Committee	Nil	–	



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

III. BIOGRAPHIES OF CURRENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Executive Directors (3)

(1) Mr. Chen Youan

born in March 1958, has been the Chairman and 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. 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, director of Galaxy Financial Holdings since June 2011 and director of Zhengtong Co., Ltd. since January 2015. From August 1987 to August 2002, Mr. Gu served consecutively as deputy division director of Editorial Office of Investment Research Division, division director of General Division of First Credit and Loan Department, deputy supervisor of Supervisory Office, general manager of Entrusted Business Department and general manager of Intermediate Business Department in China Construction Bank (previously known as China People's Construction Bank). From August 2002 to January 2007, he was vice president of China Sci-tech Securities Co., Ltd. (中國科技證券有限責任公司). Mr. Gu joined our Company in January 2007, and was chairman of our Company's labor union from October 2008 to July 2010, Vice President of our Company from September 2009 to March 2010, and chairman of Galaxy Capital from April 2010 to October 2010. Mr. Gu obtained a bachelor's degree in economics from Liaoning Institute of Finance and Economics in January 1982, and a master's degree in economics from Institute of Fiscal Science of Ministry of Finance in September 1987.

(3) 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.

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2. Non-executive Directors (4)

(1) Mr. Du Ping

born in March 1963, has been a non-executive Director since June 2015. Mr. Du has served as general manager of Galaxy Financial Holdings in February 2015. From February 1993 to September 2003, Mr. Du was the division director of headquarter, vice president of the Shenzhen branch and the general manager of the Singapore branch of Bank of Communications. From December 2003 to December 2014, he was the deputy general manager of Shenyin & Wanguo Securities Co., Ltd. Mr. Du graduated from Wuhan University in July 1986 with a bachelor's degree in law, and obtained a master's degree in criminal law from Wuhan University in July 1989. He received a doctor's degree in management science and engineering from University of Shanghai for Science and Technology in June 2011.

(2) Mr. Shi Xun

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

(3) Mr. Zhang Jinghua

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

(4) Mr. Li Chaoyang,

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



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3. Independent Non-executive Directors (4)

(1) Mr. Liu Feng

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

(2) Mr. Luo Lin

born in September 1950, has been an independent non-executive Director of the Company since June 2015. From August 1979 to February 1994, Mr. Luo served as the deputy director and director of the financial department, and the deputy director of the fund department of China Construction Bank Corporation. From March 1994 to October 2010, he served successively deputy director of the financial bureau, director of northwest credit bureau of the National Development Bank, the president of the National Development Bank's Yunnan Branch, director of capital bureau and full-time evaluation committee member of Loan Committee of the National Development Bank. From January 2012 to November 2015, he served as the independent director of Cinda Real Estate Co Ltd. Mr. Luo graduated from Liaoning Institute of Finance in August 1979 majoring in infrastructure financing, and graduated from the Graduate School of Chinese Academy of Social Science in April 1998 with a master's degree in monetary banking. In November 1998, he was granted the qualification as a senior accountant by the Government Offices Administration of the State Council.

(3) 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) Mr. Chi Fulin

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

4. SUPERVISORS (5)

(1) Mr. Yu Wenxiu

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

(2) Mr. Zhong Cheng

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



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(3) Ms. Liu Zhiyi

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

(4) Mr. Chen Jijiang

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

(5) Mr. Feng Heping

born in February 1960, has been a Supervisor of the Company since 29 June 2015. Mr. Feng worked at the Audit Department of China Financial Management Accounting Firm from 1985 to 1992. Mr. Feng served as the deputy general manager of the Audit Department of Arthur Andersen from 1992 to 1997, the partner of the Audit Department of PricewaterhouseCoopers from 1997 to 2005, the managing partner of PricewaterhouseCoopers, Beijing Office from 2005 to March 2011, the managing director of the Beijing branch of Morgan Stanley Management Service (Shanghai) Limited from April 2011 to October 2014, and has been serving as a senior advisor of PricewaterhouseCoopers since October 2014 as well as an independent director of Bank of Tianjin since March 2015. Mr. Feng graduated from Shanxi College of Finance and Economics with a bachelor's degree in accounting in 1982, and from the Research Institute for Fiscal Science of the Ministry of Finance with a master's degree in accounting in 1985.



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5. SENIOR MANAGEMENT

(1) Ms. Chen Jing

born in January 1963, holds a master degree in Engineering, and is a senior engineer. She is currently the Vice President, the chairman of labor union committee and a member of the executive committee of our Company. She is responsible for settlement management, information technology and custody business of the Company. From March 1997 to March 2000, Ms. Chen served consecutively as deputy general manager and manager in the technology development department of China Cinda Trust Investment Company (中國信達信託投資公司). From September 2000 to January 2007, Ms. Chen served consecutively as supervisor of information technology center, general manager of human resources department as well as general manager of client assets depository center of China Galaxy Securities Limited Liability Company. From January 2007 to August 2007, she was general manager of human resources department as well as general manager of client assets depository center of our Company. She has been the Vice President of our Company since August 2007, chairman of our labor union committee since October 2012 and a member of the executive committee of our Company since December 2012. She has been the chairman and legal representative of 銀河源滙投資有限公司 since December 2015. Ms. Chen obtained a bachelor's degree in engineering from Engineering Institute of Central China (Now Technology University of Central China) in July 1984, and a master's degree in engineering from Xi'an Electronic Technology University in February 1990. She is a senior engineer recognized by China Cinda Asset Management Co. Ltd (中國信達資產管理公司) in December 2000.

(2) Ms. Huo Xiaoyu

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



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(3) Mr. Zhu Yongqiang

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

(4) Mr. Wang Liuqi

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

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(5) Mr. Yin Yanwu

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

(6) Ms. Zhu Ruimin

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

(7) Mr. Wu Jianhui

born in November 1970, holds a doctorate in Economics, and is a senior economist. He is currently the Chief Human Resources Officer and a member of the executive committee of our Company, and director of Galaxy Capital. He is in charge of our human resource affairs. From April 1997 to December 2005, Mr. Wu served consecutively as staff member of examination and appointment and dismissal division of staff education department, deputy manager of training and development division (in charge), deputy manager of general information division (in charge) and manager of long-term incentive program division of human resources department of China Unicom Limited (中國聯合通信有限公司). From January 2006 to December 2007, Mr. Wu was an assistant general manager of human resources department in Bank of China Limited (中國銀行股份有限公司), during which he also served as director of Bank of China Insurance Co., Ltd (中銀保險有限公司). From December 2007 to June 2010, he worked as senior manager in human resources department of China Investment Corporation. From July 2010 to April 2012, Mr. Wu served as general manager of human resources department in our Company. From March 2011 to August 2012, he served as secretary to the Board of our Company. He has been serving as a director of Galaxy Capital since July 2011, the Chief Human Resources Officer since November 2011 and a member of the executive committee of our Company since December 2012. Since January 2016, Mr. Wu served in Zunyi City of Guizhou Province, and his duties in the Company have been acted by Ms. Chen Jing (vice president). Mr. Wu obtained a bachelor's degree in law from Lanzhou University in June 1994, a master's degree in economics from Renmin University of China in June 1997 and a doctor's degree in economics from Renmin University of China in January 2005. He is a senior economist recognized by Senior Professional Qualifications Committee of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會高級專業技術職務任職資格評審委員會) in October 2005.



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(8) Mr. Li Shuhua

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



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(i) Changes in Directors

On 29 June 2015, the Company convened 2014 annual general meeting and a new session of the Board of the Company was elected. At the general meeting, Chen Youan, Gu Weiguo, Du Ping, Shi Xun, Zhang Jinghua, Wu Chengming, Liu Feng, Luo Lin, Wu Yuwu and Chi Fulin were elected as the non-employee representative directors of the third session of the Board of the Company, of whom, Chen Youan, Gu Weiguo and Wu Chengming were elected as executive Directors; Du Ping, Shi Xun and Zhang Jinghua were elected as non-executive Directors; Liu Feng, Luo Lin, Wu Yuwu and Chi Fulin were elected as independent non-executive Directors.

Li Chaoyang was elected as the employee representative Director of the new session of the Board at the ninth meeting of the first session of the employee representative meeting of the Company as well as non-executive Director.

As the term of office of Xu Guoping, Li Chenghui, Wang Shiding, Zhou Ruijin and Qi Xiaoli ended on the expiry of the term of the second session of the Board of Directors, they retired as Directors of the Company at the conclusion of the 2014 annual general meeting.

(ii) Changes in Supervisors

On 29 June 2015, the Company convened 2014 annual general meeting and Yu Wenxiu, Zhong Cheng and Feng Heping were elected as the Non-employee Representative Supervisors of the third session of the Supervisory Committee.

Liu Zhiyi, and Chen Jijing were elected as the employee representative Supervisors of the new session of the Supervisory Committee at the ninth meeting of the first session of the employee representative meeting of the Company.

As the term of office of Mr. Wu Huanliang and Mr. Gu Shulin ended on the expiry of the term of the second session of the Supervisory Committee, they retired as Supervisors of the Company at the conclusion of the 2014 annual general meeting.

(iii) Changes in senior management

During the Reporting Period, there was no change in senior management.

V. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- (i) Basic system of remuneration management of Directors, Supervisors and senior management: the Company has formulated *Administrative Measures for Remuneration of Directors and Supervisors of the Company* and *Interim Measures for Management of Remuneration of Senior Management*. The Company will further improve the remuneration management system according to the requests of the Code of Corporate Governance for Securities Company (valid from 1 January 2013) issued by CSRC.
- (ii) Decision-making procedure of remuneration management of Directors, Supervisors and senior management: The remunerations of Directors and Supervisors shall be determined by the Shareholders general meeting and the remuneration of senior management shall be determined by the Board. The remuneration figures are determined, according to the respective duties and performance review.
- (iii) Non-cash remunerations: Currently, the Company has not implemented any equity incentive policy, and the Company did not granted share options to Directors, Supervisors and senior management of the Company.
- (iv) Data and deferred payments of remunerations: The actual amount of total remuneration for 2015 of Directors, Supervisors and senior management and the data of postponed payment for 2015 will be disclosed after the settlement of remuneration. Please refer to the relevant content in this session of this report for details of the amount of actually paid 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 10,091 employees (including client managers in sales), of which 9,173 (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	7,648	75.79%	7,598	82.83%
	Futures brokerage	537	5.32%	0	0.00%
	Investment banking	332	3.29%	311	3.39%
	Assets management	67	0.66%	0	0.00%
	Proprietary trading	49	0.49%	47	0.51%
	Private equity investment	13	0.13%	0	0.00%
	Investment research	150	1.49%	134	1.46%
	Clearing	90	0.89%	75	0.82%
	Legal/Risk Control/Audit	268	2.66%	231	2.52%
	IT	433	4.29%	372	4.06%
	Planning and Finance	330	3.27%	283	3.09%
	Administrative management	174	1.72%	122	1.33%
Total	10,091	100.00%	9,173	100.00%	
Educational Background	Doctors	73	0.72%	69	0.75%
	Masters	1,062	10.52%	905	9.87%
	Bachelors	5,724	56.72%	5,188	56.56%
	Associate degree and below	3,232	32.03%	3,011	32.82%
Total	10,091	100.00%	9,173	100.00%	
Age	30 or below	4,424	43.84%	3,993	43.53%
	31-40	3,019	29.92%	2,683	29.25%
	41-50	2,270	22.50%	2,145	23.38%
	51 or above	378	3.75%	352	3.84%
Total	10,091	100.00%	9,173	100.00%	
Profession' structure (Fields of Study)	Economics	3,892	38.57%	3,540	38.59%
	Business Administration	1,813	17.97%	1,684	18.36%
	Information and Electronic Science	1,204	11.93%	1,081	11.78%
	Other	3,182	31.53%	2,868	31.27%
Total	10,091	100.00%	9,173	100.00%	

Note: As at the End of the Reporting Period, the Group had 302 retirees, of which 135 were early-retired staffs. The Company had 300 retirees, of which 135 were early-retired staffs.



SECTION IX DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(ii) Remuneration of staffs

The remuneration of staffs of the Company comprises of basic remuneration, allowances, performance based bonus and benefits.

The basic remuneration is a relatively fixed part in the composition of remuneration, which is the basic income of staffs. The pay grade of basic remuneration corresponds to the rank of employees.

The allowances include allowances for management positions and for professional and technical personnel, which are supplement to the basic remuneration.

The performance based bonus is derived from annual profits of the Company, and will be distributed based on results of performance assessment, which will tilt towards the business departments and take functional departments into account at the same time.

The Company has provided social insurance and housing provident fund and other statutory benefits to its staffs according to relevant requirements of the PRC. Meanwhile, in order to improve the protection level of benefits, the Company also provided annuity fund and supplementary medical insurance for its employees.

(iii) Training Plan

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

- (1) Strengthen the cultivation of strategic thinking abilities, operational management abilities and professional technology level of the medium-high management and administrative personnel, and improve international visions of the senior management and perfect the operational management abilities of the middle management as well as actively implement the reserve talents program in order to build up a reasonable talents team.
- (2) Reinforce trainings on occupational qualities and professional abilities of the employees from each business line, and strengthen overall qualities, professional depth, and execution and innovation abilities of professional staffs from each business line.
- (3) Leveraging on videos and network method to effectively make up the deficiency arisen from time, space and cost of traditional training mode quickly replicate the best practices and gradually enhance professional ethics, professional qualities and skills of basic-level staffs.
- (4) Adapt to the requirements for public companies after listing, focus on new system and new businesses, combine courses on professional conduct and hold a series of comprehensive quality trainings covering all employees.
- (5) Following the development trend of the industry and the Company's strategy of "One Core, Two Branches", improving the pricing ability by finance professionals, introducing professional training model adopted by the top investment banks in Wall Street, and designing and carrying out financial statement analysis and enhanced training for valuation.



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VII. DETAILS OF ENGAGING BROKERS TO SOLICIT CUSTOMERS AND PROVIDE CUSTOMER SERVICES (INCLUDING MANAGEMENT MODEL, NUMBER OF BROKERS)

Securities brokers enter into agency contract with the Company, accepting the Company's mandate. They are natural persons other than the Company's employees who act as agents and engage in brokerage related activities such as customer solicitation and customer services within the authorisation of the Company. The Company adopts centralized management of such brokers. The headquarters of the Company formulated securities broker management measures and related systems, established a securities broker management platform, and centralized the management of securities branch and broker's qualification, examination and approval, registration, business training, performance appraisal, risk control etc. The Company's securities branch is responsible for the daily management of brokers. As of the end of the Reporting Period, there were 868 brokers working for the Company.



SECTION X CORPORATE GOVERNANCE REPORT

I. OVERVIEW OF CORPORATE GOVERNANCE

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

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

II. SHAREHOLDERS AND GENERAL MEETINGS

(i) Rights of General Meetings and Shareholders

As the supreme authority of the Company, the general meeting of the Company exercises its rights according to the requirements of the Articles of Association and the procedural rules of the general meeting. The Company strictly adheres to the rules in convening and conducting the general meeting and ensures that all shareholders have equal rights and can fully exercise their rights. In 2015, the Company has convened 4 general meetings to answer the concerns of shareholders in detail and to carefully listen to opinions and suggestions expressed by the shareholders regarding the development of the Company.

(ii) Overview of General Meetings

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

1. On 26 March 2015, the Company convened the first extraordinary general meeting for the year 2015 and considered and passed the resolutions of new H Share issue, extension of validity period of the A Share offering plan, extension the validity period of the authorization concerning the A Share offering plan, amendments to the Articles of Association, Amendment to the Rules of Procedure of the Shareholders' general meeting, issuance of the short-term notes, issuance of the corporate bonds, amendment to the plan on authorisation given by the Shareholders' general meeting to the Board.
2. On 26 March 2015, the Company convened the domestic share class meeting and considered and passed the resolutions of new H Share issue, extension of validity period of the A Share offering plan, extension the validity period of the authorization concerning the A Share offering plan, amendments to the Articles of Association and Amendment to the Rules of Procedure of the Shareholders' general meeting.
3. On 26 March 2015, the Company convened the H share class meeting and considered and passed the resolutions of new H Share issue, extension of validity period of the A Share offering plan, extension the validity period of the authorization concerning the A Share offering plan, amendments to the Articles of Association and Amendment to the Rules of Procedure of the Shareholders' general meeting.



SECTION X CORPORATE GOVERNANCE REPORT

4. On 29 June 2015, the Company convened 2014 annual general meeting and reviewed and passed the 2014 Report of the Board of Directors, the 2014 Report of Supervisory Committee, the 2014 Annual Report, the 2014 Final Accounts, the 2014 Profit Distribution Plan, the 2015 Budget for Capital Expenditure, renewal of employment of external auditing firm in 2015, full-time Supervisors' remuneration settlement plan for 2012 and 2013 special report on the deposit, the actual utilization of the previously raised proceeds and general mandate to issue shares, electing Chen Youan, Gu Weiguo, Du Ping, Shi Xun, Zhang Jinghua, Wu Chengming, Liu Feng, Luo Lin, Wu Yuwu and Chi Fulin as Non-employee Representative Directors of the third session of the Board and electing Yu Wenxiu, Zhong Cheng and Feng Heping as Non-employee Representative Supervisors of the third session of the Supervisory Committee.

III BOARD OF DIRECTORS AND PERFORMANCE OF DUTIES

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

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

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

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

(ii) Composition of the Board of Directors

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

The Board of the Company currently comprises of 11 Directors, which includes 3 executive Directors (Mr. Chen Youan, Mr. Gu Weiguo and Mr. Wu Chengming, 4 non-executive Directors (Mr. Du Ping, Mr. Shi Xun, Mr. Zhang Jinghua and Mr. Li Chaoyang), 4 independent non-executive Directors (Mr. Liu Feng, Mr. Luo Lin, Mr. Wu Yuwu and Mr. Chi Fulin), among which the number of independent Directors accounts for more than one third of the number of Directors. Mr. Chen Youan is the chairman of the Board and Mr. Gu Weiguo is the vice chairman and president. 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. During the Reporting Period, a new session of the Board of the Company had been elected. The Company confirms that the Company has received the annual confirmation of independence from each of the independent Directors pursuant to Rule 3.13 of the Listing Rules and the Company continues to confirm the independence of the independent Directors.

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



SECTION X CORPORATE GOVERNANCE REPORT

(iii) Meetings of the Board of Directors

During the Reporting Period, the Board of Directors convened 15 meetings, the details and resolutions passed are as follows:

1. On 20 January 2015, the 48th meeting (extraordinary) of the 2nd session of the Board was convened. The following items were reviewed and passed: the “Resolution of New H Share Issue and Listing on the The Stock Exchange of Hong Kong Limited”, the “Resolution on Extending and Amending the Plan of IPO and Listing of the Company”, the “Resolution on Extending Specific Matters of Full Authorization to the Board of Directors in Handling the IPO of A Shares and Listing by General Meeting”, the “Resolution on Reviewing and Amending the Articles of Association of China Galaxy Securities Co., Ltd.”, the “Resolution on Reviewing and Amending the Rules of Procedure of the Shareholders’ general meeting of China Galaxy Securities Co., Ltd.”, the “Resolution on Launching Stock Option Broker Business” and the “Resolution on Convening the First Extraordinary Meeting in 2015, the First Domestic Shares Class Meeting in 2015 and the First H Shares Class Meeting in 2015”.
2. On 19 March 2015, the 50th meeting (extraordinary) of the 2nd session of the Board was convened. The “Resolution on Reviewing the Letter of Authorization to President by the Board of Directors in 2015” was reviewed and passed.
3. On 27 March 2015, the 49nd meeting (regular) of the 2nd session of the Board was convened. The following items were reviewed and passed: the “Resolution on Reviewing the 2014 Final Accounts of China Galaxy Securities Co., Ltd.”, the “Resolution on Reviewing the 2014 Profit Distribution Plan of China Galaxy Securities Co., Ltd.”, the “Resolution on Reviewing the 2014 Compliance Report of China Galaxy Securities Co., Ltd.”, the “Resolution on Reviewing the 2014 Risk Management Report of China Galaxy Securities Co., Ltd.”, the “Self-evaluation Report on Internal Control of China Galaxy Securities Co., Ltd. for the Year 2014”, the “Annual Report of China Galaxy Securities Co., Ltd. for the Year 2014”, the “Resolution on Reviewing the 2013 Working Report of the President”, the “2014 Working Report of the Board of Directors of China Galaxy Securities Co., Ltd.”, the “Resolution on Nominating the External Auditing Firm for Appointment in 2015”, the “Resolution on the 2015 Business Plan of the China Galaxy Securities Co., Ltd.”, the “Resolution on the 2015 Draft Capital Expenditure Budget of China Galaxy Securities Co., Ltd”, the “Resolution on the General Mandate to Issue Shares”, the “Resolution on Reviewing and Amending Financial Statements and Audit Reports of China Galaxy Securities Co., Ltd. for Three Years From 2012 to 2014”, the “Resolution on Reviewing the Report on the Use of Funds Previously Raised of China Galaxy Securities Co., Ltd.”, the “Resolution on Reviewing the Interim Measures for the Management of Companies Controlled or Invested by the Company” and the “Resolution on Convening the 2014 Annual General Meeting”.
4. On 12 May 2015, the 51st meeting (extraordinary) of the 2nd session of the Board was convened. The following items were reviewed and passed: the “Resolution on Recommending Mr. Chen Youan, Mr. Gu Weiguo, Mr. Du Ping, Mr. Shi Xun, Mr. Zhang Jinghua and Mr. Wu Chengming as the Candidate of the Directors of the Company”, the “Resolution on Recommending Mr. Liu Feng as the Candidate of the Independent Director of the Company”, the “Resolution on Recommending Mr. Luo Lin as the Candidate of the Independent Director of the Company” and the “Resolution on Recommending Mr. Wu Yuwu as the Candidate of the Independent Director of the Company”.
5. On 10 June 2015, the 52nd meeting (extraordinary) of the 2nd session of the Board was convened. The “Resolution on Recommending Mr. Chi Fulin as the Candidate of the Independent Director of the Company” was reviewed and passed.
6. On 29 June 2015, the 1st meeting (extraordinary) of the 3rd session of the Board was convened. The following items were reviewed and passed: the “Resolution on Proposing Mr. Chen Youan to be the Chairman of the 3rd Session of the Board of Directors of China Galaxy Securities Co., Ltd”, “Resolution on Proposing Mr. Gu Weiguo to be the Vice-Chairman of the 3rd Session of the Board of Directors of China Galaxy Securities Co., Ltd” and the “Resolution on Establishing Special Committees under the 3rd Session of the Board of Directors of China Galaxy Securities Co., Ltd”.



SECTION X CORPORATE GOVERNANCE REPORT

7. On 3 July 2015, the 2nd meeting (extraordinary) of the 3rd session of the Board was convened. The “Resolution on Reviewing Staff Incentive Plan of China Galaxy Securities Co., Ltd” was considered and passed.
8. On 6 July 2015, the 3rd meeting (extraordinary) of the 3rd session of the Board was convened. The “Resolution on Making Capital Contribution to China Securities Finance Corporation Limited with 15% Net Asset of the Company as at the end of June 2015” was considered and passed.
9. On 9 July 2015, the 4th meeting (extraordinary) of the 3rd session of the Board was convened. The “Report on Participation of Directors, Supervisors, Senior Management and Employees of China Galaxy Securities Co., Ltd in a Collective Investment Scheme” was heard.
10. On 7 August 2015, the 5th meeting (extraordinary) of the 3rd session of the Board was convened. The following items were reviewed and passed: the “Resolution on Adjustment to 2015 Fund Allocation Plan”, the “Resolution on Adjusting the Annual Caps for Continuing Connected Transactions for Security Services Provided to Galaxy Financial Holdings Group”, the “Resolution on Launching Gold Proprietary Trading Business”, the “Resolution on Amending the Interim Measures for Management of Internal Audit”, the “Resolution on the Outlines for All-round Risk Management of China Galaxy Securities Co., Ltd”, the “Resolution on Reviewing the Policies on Risk Appetite of China Galaxy Securities Co., Ltd” and the “Resolution on Reviewing the Risk Appetite of China Galaxy Securities Co., Ltd”.
11. On 28 August 2015, the 6th meeting (regular) of the 3rd session of the Board was convened. The following items were reviewed and passed: the “Resolution on Reviewing the 2015 Interim Report”, the “Resolution on Reviewing and Amending Financial Statements and Audit Reports of China Galaxy Securities Co., Ltd. for Three Years and One Period”, the “Resolution on Reviewing the Report on the Use of Funds Previously Raised of China Galaxy Securities Co., Ltd.”, the “Resolution on Reviewing the Evaluation Report of Internal Control for the First Half of 2015”, the “Resolution on Reviewing the 2015 Interim Compliance Report of the Company”, the “Resolution on Reviewing the All-round Risk Management System of China Galaxy Securities Co., Ltd.” and the “Resolution on Accelerating the Establishment of Overseas Network”.
12. On 1 September 2015, the 7th meeting (extraordinary) of the 3rd session of the Board was convened. The “Resolution on Reviewing Capital Contribution to China Securities Finance Corporation Limited by China Galaxy Securities Co., Ltd.” was considered and passed.
13. On 29 December 2015, the 8th meeting (regular) of the 3rd session of the Board was convened. The following items were reviewed and passed: the “Resolution on Reviewing the Securities Branch Setup Plan of China Galaxy Securities Co., Ltd. (2016-2018)” and the “Resolution on Entering into Framework Agreement with Galaxy Financial Holdings Group and Setting the Annual Caps for Continuing Connected Transactions for 2016-2018”.
14. On 29 December 2015, the 9th meeting (regular) of the 3rd session of the Board was convened to provide training on compliance matters of Hong Kong Listing Company to Directors.
15. On 29 December 2015, the 1st non-executive Directors’ meeting was convened to review and discuss the Company’s strategic development related matters.

SECTION X CORPORATE GOVERNANCE REPORT

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

- On 27 March 2015, at the 49th meeting (regular) of the 2nd session of the Board, Independent Non-executive Director Liu Feng, and Independent Non-executive Director Wu Yuwu, held opposing views on the “Resolution on the contribution of capital to invest in the establishment of 中證增信公司 by the Company”. Independent Non-executive Director Liu Feng believed that (1) there is a conflict of interest if the Securities Company contributes capital to establish that company; (2) it is not in line with the development strategies and equity investment direction of the Company; (3) the expected rate of return of the investment is lower. Independent Non-executive Director Wu Yuwu believed that the expected rate of return of the project was low.
- On 28 August 2015, at the 6th meeting (regular) of the 3rd session of the Board, Independent Non-executive Director Wu Yuwu had opposing views on the “Resolution on the speeding up of the overseas network layout of the Company”. Independent Non-executive Director Wu Yuwu believed that the implementation of such measure is not in line with the objectives (short, medium and long) of the development strategies of internationalization of the Company, and the budgeted costs are higher.

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

1. Attendance of Directors at general meetings in 2015

Director's Name	Required attendance at general meetings	Attendance	Absence
Chen Youan	4	4	0
Gu Weiguo	4	4	0
Xu Guoping	4	0	4
Wu Chengming	4	4	0
Li Chenghui	4	4	0
Shi Xun	4	4	0
Wang Shiding	4	1	3
Liu Feng	4	4	0
Zhou Ruijin	4	0	4
Wu Yuwu	4	4	0
Qi Xiaoli	4	4	0
Du Ping	0	0	0
Zhang Jinghua	0	0	0
Luo Lin	0	0	0
Chi Fulin	0	0	0
Li Chaoyang	0	0	0

Note: Du Ping, Zhang Jinghua, Luo Lin, Chi Fulin and Li Chaoyang have served as directors of the Company since 29 June 2015.

SECTION X CORPORATE GOVERNANCE REPORT

2. Attendance of Directors at the Board meetings in 2015

Director's Name	Required attendance at Board meetings	Attendance in person	Attendance by proxy	Numbers of resolutions required for voting	Numbers of resolutions actually voted
Chen Youan	15	14	1	52	52
Gu Weiguo	15	14	1	52	52
Xu Guoping	5	3	2	30	30
Wu Chengming	15	15	0	52	52
Li Chenghui	5	5	0	30	30
Shi Xun	15	15	0	52	52
Wang Shiding	5	3	2	30	30
Liu Feng	15	14	1	52	52
Zhou Ruijin	5	4	1	30	30
Wu Yuwu	15	13	2	52	52
Qi Xiaoli	5	5	0	30	30
Du Ping	10	10	0	22	22
Zhang Jinghua	10	10	0	22	22
Luo Lin	10	10	0	22	22
Chi Fulin	10	8	2	22	22
Li Chaoyang	10	10	0	22	22

Notes:

- In 2015, the 2nd session of the Board of the Company convened 5 meetings, the members of the Board were Chen Youan, Gu Weiguo, Xu Guoping, Wu Chengming, Li Chenghui, Shi Xun, Wang Shiding, Liu Feng, Zhou Ruijin, Wu Yuwu and Qi Xiaoli.
- In 2015, the 3rd session of the Board of the Company convened 10 meetings, the members of the Board were Chen Youan, Gu Weiguo, Du Ping, Zhang Jinghua, Shi Xun, Wu Chengming, Liu Feng, Luo Lin, Wu Yuwu, Chi Fulin and Li Chaoyang.
- At the 2nd meeting (extraordinary) of the 3rd session of the Board of the Company convened on 3 July 2015, the "Resolution on reviewing the incentive plan of staff of China Galaxy Securities Co., Ltd." was reviewed. The directors Chen Youan, Gu Weiguo, Du Ping, Shi Xun, Zhang Jinghua, Wu Chengming and Li Chaoyang abstained from voting on this resolution.
- At the 5th meeting (extraordinary) of the 3rd session of the Board of the Company convened on 7 August 2015, the "Resolution on Adjusting the Annual Caps for Continuing Connected Transactions for Security Services Provided to Galaxy Financial Holdings Group" was reviewed. The directors who were connected parties, namely Chen Youan, Gu Weiguo and Du Ping abstained from voting on this resolution.
- At the 8th meeting (regular) of the 3rd session of the Board of the Company convened on 29 December 2015, the "Resolution on Renewing the Signing of the Framework Agreement with Galaxy Financial Holdings Group and Setting the Annual Caps for Continuing Connected Transactions for the Years 2016-2018" was reviewed. The directors who were connected parties, namely Chen Youan, Gu Weiguo and Du Ping abstained from voting on this resolution.

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(vi) Training for Directors

No.	Date of training	Training contents	Training Participants
1	January 2015	Thirty Years of Reform of Huijin Company	Shi Xun
2	May 2015	Investment banking strategies for Asian infrastructure	Chen Youan and Liu Feng
3	May 2015	Present & future conditions of the Chinese economy	Chen Youan and Liu Feng
4	May 2015	Challenges of the foreign affairs of China – response strategies for the Latin American region	Chen Youan and Liu Feng
5	May 2015	Finance for industry chain – lecture under the “Century Lecture” (《世紀大講堂》) series	Zhang Jinghua
6	July 2015	37th Lecture of Enhanced CPD for associate members of the Hong Kong Institute of Company Secretaries	Wu Chengming
7	September 2015	Rules related to disclosure of interests	Du Ping
8	October 2015	Economic and financial knowledge for managers	Shi Xun
9	November 2015	CIC 2015 Training Class for Director & Supervisor Expatriates – Productivity of Companies and Governance in Practice	Zhang Jinghua
10	November 2015	Management projects for senior managerial staff	Shi Xun
11	November 2015	Productivity of Companies and Governance in Practice	Shi Xun
12	November 2015	39th Lecture of Enhanced CPD for associate members of the Hong Kong Institute of Company Secretaries	Wu Chengming
13	November – December 2015	Integrity management & corruption prevention	Chen Youan, Gu Weiguo, Du Ping, Shi Xun, Zhang Jinghua, Wu Chengming, Liu Feng, Luo Lin, Wu Yuwu and Li Chaoyang
14	November – December 2015	Requirements & key points of the internal control in the new “Corporate Governance Code” and the new “Environmental, Social and Governance Reporting Guide”	Chen Youan, Gu Weiguo, Du Ping, Shi Xun, Zhang Jinghua, Wu Chengming, Liu Feng, Wu Yuwu and Li Chaoyang
15	November – December 2015	Latest development of the compliance of the Listing Rules	Chen Youan, Gu Weiguo, Du Ping, Shi Xun, Zhang Jinghua, Wu Chengming, Liu Feng, Luo Lin, Wu Yuwu and Chi Fulin
16	November – December 2015	Implementation strategies, themes and case studies of the Listing Rules	Chen Youan, Gu Weiguo, Du Ping, Shi Xun, Zhang Jinghua, Wu Chengming, Liu Feng, Luo Lin and Wu Yuwu
17	29 December 2015	Overview of the laws and regulations for listed companies in Hong Kong	Chen Youan, Gu Weiguo, Du Ping, Shi Xun, Zhang Jinghua, Wu Chengming, Liu Feng, Luo Lin, Wu Yuwu, Chi Fulin and Li Chaoyang



SECTION X CORPORATE GOVERNANCE REPORT

IV. SPECIAL COMMITTEES UNDER THE BOARD AND PERFORMANCE OF DUTIES

The Strategy and Development Committee, Risk Management Committee, Nomination and Remuneration Committee and Audit Committee have been established under the Board. The committees, whose functions are clearly defined, assist the Board in conducting work within the authorization specified by the terms of reference, and are accountable to and report to the Board. Independent non-executive Directors are in the majority of Nomination Committee and Audit Committee, which are also chaired by an independent non-executive Director.

On 29 June 2015, at the 1st meeting (extraordinary) of the 3rd session of the Board, the re-elections of new members of all special committees of the Board were carried out, the respective members before and after the re-elections were indicated in the table below.

Before Re-election

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

Note: Chen Youan, Gu Weiguo, Xu Guoping, Li Chenghui, Shi Xun, Wu Chengming, Wang Shiding, Liu Feng, Zhou Ruijin and Wu Yuwu were non-staff representative directors of the 2nd session of the Board of the Company. Among them, Gu Weiguo and Wu Chengming were executive directors. Chen Youan, Xu Guoping, Li Chenghui and Shi Xun were non-executive directors, Wang Shiding, Liu Feng, Zhou Ruijin and Wu Yuwu were independent directors. Qi Xiaoli was staff representative director of the 2nd session of the Board, she was also non-executive director.

After Re-election

Name of the special Committee	Officer	Member
Strategic Development Committee	Chen Youan	Gu Weiguo, Du Ping, Shi Xun, Zhang Jinghua, Wu Chengming, Liu Feng, Luo Lin, Wu Yuwu, Chi Fulin and Li Chaoyang
Risk Management Committee	Shi Xun	Gu Weiguo, Du Ping, Zhang Jinghua, Wu Chengming, Liu Feng and Li Chaoyang
Nomination & Remuneration Committee	Liu Feng	Luo Lin, Wu Yuwu, Chi Fulin, Shi Xun and Li Chaoyang
Audit Committee	Luo Lin	Liu Feng, Wu Yuwu, Chi Fulin, Shi Xun and Zhang Jinghua

Note: Chen Youan, Gu Weiguo, Du Ping, Shi Xun, Zhang Jinghua, Wu Chengming, Liu Feng, Luo Lin, Wu Yuwu and Chi Fulin were non-staff representative directors of the 3rd session of the Board of the Company. Among them, Chen Youan, Gu Weiguo and Wu Chengming were executive directors, Du Ping, Shi Xun and Zhang Jinghua were non-executive directors, Liu Feng, Luo Lin, Wu Yuwu and Chi Fulin were independent directors. Li Chaoyang was staff representative director of the 3rd session of the Board, he was also non-executive director.



SECTION X CORPORATE GOVERNANCE REPORT

(i) Strategy and Development Committee

1. Functions of the Committee

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

2. Work summaries and meetings of the Committee

During the Reporting Period, the Strategy and Development Committee convened 7 meetings, at which in-depth studies, discussion and demonstration of various issues were conducted in respect of the final accounts, the profit distribution plan, business plans, foreign investment and the issuance of debt financing instruments 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 13 January 2015, the 25th meeting of the Strategy and Development Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the following resolutions to the Board for review: the "Resolution on the Launch of Stock Option Business of the Company".
- (2) On 6 March 2015, the 26th meeting of the Strategic Development Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the following resolutions to the Board for review: the "Resolution on the 2014 Profit Distribution Plan of China Galaxy Securities Co., Ltd.", the 2014 Working Report of the Board of Directors, the 2014 Working Report of the Strategic Development Committee of the Board of Directors, the "Resolution of 2015 Business Plan of China Galaxy Securities Co., Ltd", the "Resolution on the 2015 Company Capital Expenditure Budget of China Galaxy Securities Co., Ltd", the "Resolution on Setting up China Galaxy Securities Research Institute", the "Resolution on the general mandate of share issuance", the "Resolution on the contribution of capital to invest in the establishment of 中證增信公司 by the Company", and the "Resolution on Reviewing the Provisional Measures for the Management of companies under holding and investment arrangements".
- (3) On 10 June 2015, the 27th meeting of the Strategic Development Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the following resolutions to the Board for review: the "Report on the Setting up of the Third Board Business General Department (under planning), the Internet Finance Department (under planning)", and the "Resolution on the speeding up of the overseas network layout of the Company".
- (4) On 30 June 2015, the 1st meeting of the Strategic Development Committee of the 3rd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the following resolutions to the Board for review: the "Resolution on Adjusting the 2015 Funds Allocation Plan" the "Resolution on the Starting of Gold Proprietary Trading Business of the Company".

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- (5) On 3 July 2015, the 2nd meeting of the Strategic Development Committee of the 3rd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the resolution on the company employee share plan to the Board for review.
- (6) On 8 December 2015, the 3rd meeting of the Strategic Development Committee of the 3rd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the “Resolution on the planning of the setting up of securities business department network (2016-2018) of China Galaxy Securities Co., Ltd.” to the Board for review.
- (7) On 29 December 2015, the 4th meeting of the Strategic Development Committee of the 3rd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the following resolutions to the Board for review: the “Resolution on Reviewing and Amending the “Plan of IPO of A Shares and Listing of the Company” and further extension of the validity period of the plan” and the “Resolution on Reviewing and Further Extending the validity period of the “Resolution on Reviewing Specific Matters of Full Authorization to the Board of Directors in Handling the IPO of A Shares and Listing by General Meeting””

3. Attendance of members

Name of Members	Required Attendance at Meetings	Actual Attendance
Chen Youan	7	6
Gu Wei Guo	7	7
Xu Guoping	3	2
Wu Chengming	7	7
Li Chenghui	3	3
Shi Xun	7	7
Wang Shiding	3	2
Liu Feng	7	7
Zhou Ruijin	3	2
Wu Yuwu	7	4
Qi Xiaoli	3	3
Du Ping	4	4
Zhang Jinghua	4	4
Luo Lin	4	3
Chi Fulin	4	3
Li Chaoyang	4	4

(ii) Risk Management Committee

1. Functions of the Committee

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

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2. Work summaries and meetings of the Committee

During the Reporting Period, the Risk Management Committee convened 4 meetings and reviewed several resolutions including the 2014 Compliance Report, the 2015 Interim Compliance Report, general risk management system and policies on risk appetite. The committee actively performed its duties and provided support for the Board in its decision-making.

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

- (1) On 6 March 2015, the 15th meeting of the Risk Management Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the following resolutions to the Board for review: the “Resolution on Reviewing the 2014 Compliance Report of the Company”, the “Report on the 2014 Work on Anti-money laundering of the Company”, “Resolution on Reviewing the “2014 Risk Management Report of China Galaxy Securities Co., Ltd.””, “Resolution on Reviewing the 2015 “Letter of Authorization to the President by the Board”, and the 2014 Report on the Work of the Risk Management Committee.
- (2) On 10 June 2015, the 15th meeting of the Risk Management Committee of the 2nd session of the Board was convened, since the three resolutions submitted to this meeting for preliminary review had significant impact on the direction of risk management of the Company, they were submitted to the Risk Management Committee of the new session of the Board for preliminary review for the sake of prudence.
- (3) On 29 June 2015, the 1st meeting of the Risk Management Committee of the 3rd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the following resolutions to the Board for review: the “Resolution on the Guidelines for the Establishment of Comprehensive Risk Management of China Galaxy Securities Co., Ltd.”, the “Resolution on the Measures for the Management of Risk Preference of China Galaxy Securities Co., Ltd.”, and the “Resolution on the Risk Preference of China Galaxy Securities Co., Ltd.”.
- (4) On 7 August 2015, the 2nd meeting of the Risk Management Committee of the 3rd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the “Resolution on the Comprehensive Risk Management System of China Galaxy Securities Co., Ltd.”.

3. Attendance of members

Name of Members	Required Attendance at Meetings	Actual Attendance
Li Chenghui	2	2
Gu Weiguo	4	3
Xu Guoping	2	0
Wu Chengming	4	4
Shi Xun	4	4
Liu Feng	4	4
Qi Xiaoli	2	2
Du Ping	2	2
Zhang Jianghua	2	2
Li Chaoyang	2	2



SECTION X CORPORATE GOVERNANCE REPORT

(iii) Nomination and Remuneration Committee

1. Functions of the Committee

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

2. Work summaries and meetings of the Committee

During the Reporting Period, the Nomination and Remuneration Committee convened 7 meetings, at which the committee mainly studied and discussed the 2012 Remuneration Settlement Program and the 2013 Assessment Program of Senior Management, which provided professional support for the decision-making by the Board. The committee has made recommendations to the Board on the remuneration of Directors and senior management officers.

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

- (1) On 13 January 2015, the 22nd meeting of the Nomination and Remuneration Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the following resolutions to the Board for review: the "Resolution on the 2012 Remuneration Settlement Programme of the Persons-in-charge of the Company", the "Resolution on the performance appraisal of the operational management officers of China Galaxy Securities Co., Ltd. during their terms", and the "Resolution on Reviewing the implementation of management of the Company through market mechanism by Chen Jing and Huo Xiaoyu".

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- (2) On 6 March 2015, the 23rd meeting of the Nomination and Remuneration Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the following resolutions to the Board for review: the “Resolution on Amending the Provisions of Article 17 of the “Provisional Measures for the remuneration management of the senior management staff of China Galaxy Securities Co., Ltd.”, “Resolution on the 2012 Remuneration Settlement Programme of the Persons-in-charge of the Company”, and the 2014 Working Report of the Nomination and Remuneration Committee of the Board.
- (3) On 10 April 2015, the 24th meeting of the Nomination and Remuneration Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the “Resolution on recommending Mr. Luo Lin as candidate of independent director of the Company” to the Board for review.
- (4) On 12 May 2015, the 25th meeting of the Nomination and Remuneration Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the following resolutions to the Board for review: the “Resolution on recommending Mr. Chen Youan, Mr. Gu Weiguo, Mr. Du Ping, Mr. Shi Xun, Mr. Zhang Jinghua and Mr. Wu Chengming as candidates of directors of the Company”, the “Resolution on recommending Mr. Liu Feng as candidate of independent director of the Company”, and the “Resolution on recommending Mr. Wu Yuwu as candidate of independent director of the Company”.
- (5) On 10 June 2015, the 26th meeting of the Nomination and Remuneration Committee of the 2nd session of the Board was convened, at which the committee agreed to recommend Mr. Chi Fulin as candidate of independent director of the Company, and this was submitted to the Board for review.
- (6) On 29 July 2015, the 1st meeting of the Nomination and Remuneration Committee of the 3rd session of the Board was convened, at which the committee discussed the matters of mutual evaluation of performance of the members of the Party Committee, senior management staff and departmental persons-in-charge of the Company.
- (7) On 13 November 2015, the 2nd meeting of the Nomination and Remuneration Committee of the 3rd session of the Board was convened, at which the committee listened to the “Report on the results of evaluation of performance of the members of the Party Committee, senior management staff and departmental persons-in-charge of the Company”.

3. Attendance of members

Name of Members	Required Attendance at Meetings	Actual Attendance
Liu Feng	7	7
Wang Shiding	5	4
Li Chenghui	5	5
Zhou Ruijin	5	4
Wu Yuwu	7	5
Shi Xun	2	2
Luo Lin	2	2
Chi Fulin	2	2
Li Chaoyang	2	2



SECTION X CORPORATE GOVERNANCE REPORT

(iv) Audit Committee

1. Functions of the Committee

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

In 2015, the committee convened a total of 7 meetings, made a preliminary review and discussion of 20 matters, listened to 12 reports, it mainly studied and reviewed the 2014 Annual Report and 2015 Interim Report, the 2014 Annual Report and 2015 Interim internal control self-evaluation reports of the Company, the report on the evaluation of the effectiveness of the compliance management of 2014, the financial reports and audit reports of the Company for three years and one period, the adjustment of the Annual Caps for Continuing Connected Transactions for Security Services Provided to Galaxy Financial Holdings Group and the amendments of the internal audit management system etc, listened to the report on the progress and audit results of the external auditor Deloitte Touche Tohmatsu Certified Public Accountants, listened to the working reports of the information about connected parties of each quarter. The situations of the meetings of the Audit Committee were as follows:

- (1) On 6 March 2015, the 22nd meeting of the Audit Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the following resolutions to the Board for review: the "Resolution on the 2014 Final Accounts of China Galaxy Securities Co., Ltd.", the "Resolution on the 2014 Evaluation Report on Internal Control of China Galaxy Securities Co., Ltd.", the "Resolution on the 2014 Annual Report of China Galaxy Securities Co., Ltd.", the 2014 working report of the Audit Committee, the "Resolution on the nomination and appointment of the 2015 external audit firm of the Company", the working plan of the 2015 internal audit, the "Resolution on reviewing the three-year audit report of the Company", the "Report on the Implementation of the new 2014 Enterprise Accounting Standards of the Ministry of Finance", the "Resolution on reviewing the special report on the deposit and actual use of funds previously raised by China Galaxy Securities Co., Ltd.". It agreed to continue to appoint 中審所 and 立信所 to undertake the audit projects of the key persons-in-charge of the subsidiaries during the year 2015; agreed to the suggestions of the evaluation levels of the audit department for 2014; passed the "Report on the evaluation of the effectiveness of the compliance management of 2014", confirmed the information about connected parties of 2014 Q4, and reported to the Board and Supervisory Committee, authorized the audit department to announce and confirm the information about connected parties to the relevant staff of the Company and the subsidiaries in appropriate ways according to the "Detailed rules of the implementation of the management of connected transactions".
- (2) On 19 March 2015, the 23rd meeting of the Audit Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the "Resolution on the 2014 Annual Report of China Galaxy Securities Co., Ltd." to the Board for review.

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- (3) On 10 June 2015, the 24th meeting of the Audit Committee of the 2nd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the amendment proposal of the internal audit management system of the Company to the Board for review; it listened to the rectification and implementation of the “Proposal on the 2014 audit management of China Galaxy Securities Co., Ltd.”; confirmed the information about connected parties of 2015 Q1, and reported to the Board and Supervisory Committee, authorized the audit department to announce and confirm the information about connected parties to the relevant staff of the Company and the subsidiaries in appropriate ways according to the “Detailed Rules of the Implementation of the Management of Connected Transactions”.
- (4) On 29 June 2015, the 1st meeting of the Audit Committee of the 3rd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the “Resolution on Adjusting the Annual Caps for Continuing Connected Transactions for Security Services Provided to Galaxy Financial Holdings Group” to the Board for review.
- (5) On 7 August 2015, the 2nd meeting of the Audit Committee of the 3rd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the followings to the Board for review: the 2015 Interim Report of China Galaxy Securities Co., Ltd., the three-year and one period financial statements and audit reports of the Company, the special report on the deposit and actual use of funds previously raised by the Company, the “Resolution on the “Evaluation report of the internal control of the first half of 2015 of the Company ””; it confirmed the information about connected parties for 2015 Q2, and reported to the Board and Supervisory Committee, authorized the audit department to announce and confirm the information about connected parties to the relevant staff of the Company and the subsidiaries in appropriate ways according to the “Detailed rules of the implementation of the management of connected transactions”.
- (6) On 27 August 2015, the 3rd meeting of the Audit Committee of the 3rd session of the Board was convened, at which the committee reviewed the “Report on the review of 2015 interim financial statements” by the auditor of the Company and made a preliminary review of the “2015 Interim Report of China Galaxy Securities Co., Ltd.”.
- (7) On 8 December 2015, the 4th meeting of the Audit Committee of the 3rd session of the Board was convened, at which the committee made a preliminary review of and agreed to submit the “Resolution on Renewing the Signing of the Framework Agreement with Galaxy Financial Holdings Group and Setting the Annual Caps for Continuing Connected Transactions for the Years 2016-2018” to the Board for review; it agreed to the “Request for the appointment of 2016 external audit firm of the Company”, the “2015 implementation plan of the evaluation work of the internal audit of the Company”; confirmed the information about connected parties for 2015 Q3, and reported to the Board and Supervisory Committee, authorized the audit department to announce and confirm the information about connected parties to the relevant staff of the Company and the subsidiaries in appropriate ways according to the “Detailed rules of the implementation of the management of connected transactions”.

3. Attendance of Members

Name of Members	Required Attendance at Meetings	Actual Attendance
Wang Shiding	3	2
Liu Feng	7	7
Shi Xun	7	7
Zhou Ruijin	3	3
Wu Yuwu	7	6
Zhang Jinghua	4	4
Luo Lin	4	4
Chi Fulin	4	2



SECTION X CORPORATE GOVERNANCE REPORT

V. CHAIRMAN AND GENERAL MANAGER (PRESIDENT)

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

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

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

VI. TERM OF THE DIRECTORS

All Directors of the Company have entered into a letter of appointment with the Company for a term of three years effective from 29 June 2015 to the expiry date of the term of office of the third session of the Board. They can be re-appointed after the expiry of their term of office. Independent directors of the Company are also subject to the requirements regarding term of office of independent director under the PRC laws and regulations, as well as the Articles of Association.

VII. 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: to review the Company's periodical reports prepared by the Board and to provide comments in writing, to review the Company's financials, to supervise the establishment and implementation of internal control by the Board, 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, to conduct audits on retiring or resigning senior management, to take legal actions against Directors and senior management in accordance with Article 152 of the Company Law, to prepare proposals regarding the amount and distribution method of the emoluments of Supervisors for approval at the general meeting, and to exercise other powers as authorized by the Articles of Association or general meetings. For specific duties and responsibilities of the Supervisory Committee, please refer to the Terms of Reference of the Supervisory Committee, which has been published on the website of the Company.

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(ii) Meeting of Supervisory Committee and Attendance of Supervisors

The Supervisory Committee performs its relevant responsibilities and duties in accordance with related laws and regulations and the Articles of Association. During the Reporting Period, the Supervisory Committee held 5 meetings, the main contents of which are as follows:

1. On 27 March 2015, at the 1st meeting (regular) of the 2nd session of the Supervisory Committee in 2015, it reviewed and passed the “Resolution on Reviewing the 2014 Supervisory Committee’s Working Report of China Galaxy Securities Co., Ltd.”, the “Resolution on the 2012, 2013 remuneration settlement programme of the Responsible Supervisor”. The committee listened to the work report from the Supervisors and assessed the 2014 performance of the responsible Supervisor Mr. Zhong Cheng.
2. On 12 May 2015, the 1st meeting of the 2nd session of the Supervisory Committee in 2015 was convened, it reviewed and passed the “Resolution on exemption of notice period of this meeting”, the “Resolution on recommending Mr. Yu Wenxiu and Mr. Zhong Cheng as candidates of supervisors of the Company”.
3. On 12 June 2015, the 2nd meeting of the 2nd session of the Supervisory Committee in 2015 was convened, it reviewed and passed the “Resolution on recommending Mr. Feng Heping as candidate of supervisor of the Company”.
4. On 29 June 2015, the 1st meeting of the 3rd session of the Supervisory Committee in 2015 was convened, it reviewed and passed the following resolutions: the “Resolution on proposing to vote Mr. Yu Wenxiu as chairman of the 3rd session of the Supervisory Committee of China Galaxy Securities Co., Ltd.”, the “Resolution on the Composition of the Performance Monitoring Committee of the 3rd session of the Supervisory Committee of China Galaxy Securities Co., Ltd.” and “Resolution on the Composition of the Financial Monitoring Committee of the 3rd session of the Supervisory Committee of China Galaxy Securities Co., Ltd.”
5. On 29 December 2015, the 2nd meeting (regular) of the 3rd session of the Supervisory Committee was convened, it studied and discussed the 2015 working report of the supervisors.

Name of supervisor	position	No. of Supervisory Committee meetings that should be attended	Actual no of meetings attended
Yu Wenxiu	Chairman of the Supervisory Committee	5	5
Zhong Cheng	Supervisor	5	5
Wu Huanliang	External Supervisor	3	3
Gu Shulin	Staff Supervisor	3	3
Liu Zhiyi	Staff Supervisor	5	5
Feng Heping	External Supervisor	2	2
Chen Jijiang	Staff Supervisor	2	2

Note: On 29 June 2015, the Company convened the 2014 annual general meeting, Yu Wenxiu, Zhong Cheng and Feng Heping were elected as non-staff representative supervisors of the 3rd session of the Supervisory Committee. Liu Zhiyi and Chen Jijiang were elected as staff representative supervisors in the 9th meeting of the first session of the staff representative meeting of the Company. The terms of Wu Huanliang and Gu Shulin expired upon the expiry of the 2nd session of the Supervisory Committee, and stopped to be supervisors of the Company after the end of the 2014 annual general meeting.



SECTION X CORPORATE GOVERNANCE REPORT

VIII OTHER RELEVANT MATTERS

(i) Rights of shareholders

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

(ii) Compliance with the Code on securities Transactions

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

(iii) Responsibilities of Directors for the Financial Statements

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

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

(iv) Appointment and Remuneration of Auditing Firm

With the approval by the annual general meeting in 2014, the Company resolved to re-appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the Company's external auditors for 2015 to be responsible for the provision of related audit services and review services in accordance with the PRC Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively.

Are there any changes in the accounting firms appointed: No

Name of the PRC accounting firm, signing auditors and duration of service: Deloitte Touche Tohmatsu Certified Public Accountants LLP, Lv Jing and Ma Qiang (2011: Wang Pengcheng, Zheng Wei, 2012: Gu Jun and Fu Shanshan, 2013: Gu Jun and Ma Qiang, 2014: Lv Jing and Ma Qiang), 5 years; Name of the international accounting firm and duration of service: Deloitte Touche Tohmatsu, 3 year.

Remuneration for the accounting firm: According to the resolution at the annual general meeting in 2014, in 2015, the Company paid RMB3.30 million as external audit fees, of which RMB0.8 million was for reviewing the Company's Interim Report of H Shares, and RMB2.50 million was for the annual auditing and statutory audit fees in respect of H Shares. In 2015, the Company paid RMB7.485 million to Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the annual audit fees and related services fees concerning auditing for IPO (of which annual audit fees amounted to RMB 3.15 million and related services fees concerning auditing for IPO incurred in 2015 and previous years amounted to RMB 4.335 million).

(v) Review by Audit Committee

The Audit Committee has reviewed the 2015 consolidated financial statements of the Company.



SECTION X CORPORATE GOVERNANCE REPORT

(vi) Company Secretary

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

In order to maintain good corporate governance and to ensure the compliance with the Listing Rules and applicable Hong Kong laws, during the Reporting Period, 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. Ms. Yung resigned as the Company's joint company secretary on 24 March 2016. The Company has appointed Ms. Mok Ming Wai, a director and the head of listing services of KCS Hong Kong Limited, as the joint company secretary of the Company with effect from 24 March 2016.

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

(vii) Communication with Shareholders

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

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

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

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

The Company shall arrange the Board to answer questions raised by shareholders during the 2015 annual general meeting.



SECTION X CORPORATE GOVERNANCE REPORT

(viii) Investor Relations

The Company has set up an effective communication channel with investors. It carries out investor relationship maintenance work under the principles of openness and fairness and with a proactive attitude while conforming to the rules. In 2015, the Company strengthened communication and contact with the general public of domestic and overseas shareholders, potential investors, investment bank analysts and fund managers, for the whole year it received over 1,000 person-times of all types of investors, analysts and fund managers through participation in investment bank summits, reception of visitors, phone conference of one-to-one and one-to-many formats, phone and email communications etc. Also, the chairman, general manager and the relevant senior management staff attended the event for the release of performance briefing, phone conferences with analysts etc to help investors to understand the Company and timely answered the queries of investors, seriously listened to the opinion and suggestions of investors to ensure that all investors can fully exercise their own rights and safeguard their legitimate interests. During the Reporting Period, the Company disclosed information truly, accurately, completely and timely according to the laws, regulations and regulatory requirements to ensure that investors would know of the important matters of the Company in a timely manner, protecting the investors' interests to the greatest extent.

(ix) Board Member Diversity Policy

The Company has adopted the Board Member Diversity Policy pursuant to 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 Remuneration Committee of the Board will review and estimate the composition of the Board, conduct preliminary review of the qualifications and conditions (including the independence of the independent directors) of the candidates for directors (including independent directors) based on the selection criteria and procedures, taking full consideration of the candidates' professional background, career experience and skills into account, and make suggestions to the Board on the appointment of new Directors. The Nomination and Remuneration Committee of the Board will discuss measurable objectives for Board diversity and make suggestions to the Board annually.

(x) Amendments to the Articles of Association

1. On 26 March 2015, the 1st extraordinary meeting of shareholders in 2015 was convened, it reviewed and passed the resolution on the amendment of the Articles of Association of the Company, and amended Article 12 (addition of "concurrent-business insurance agency business, securities investment fund custody business" in the business scope) and Article 132 (stipulations regarding the quorum for convening class shareholders' meetings).
2. On 2 April 2015, the Company submitted the "Request for changing important clauses in the Articles of Association" to the Beijing Securities Regulatory Bureau of CSRC. On 21 May 2015, it received the "Approval of changing important clauses in the Articles of Association of China Galaxy Securities Co., Ltd." (Jing Zheng Jian Xu Ke [2015] No. 50), consenting to the amendment of Article 12, Article 132 of the Articles of Association by the Company.
3. On 2 June 2015, the Company submitted the "Report on changing unimportant clauses in the Articles of Association" to the Beijing Securities Regulatory Bureau of CSRC., and carried out amendments to Article 5 and Article 18 regarding the contents of registered capital of the Company based on the final situations of the increase of issue of H shares.



SECTION X CORPORATE GOVERNANCE REPORT

(xi) Internal Control

1. Statement of liabilities of the Board regarding internal control

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

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, the audit department of the Company carries out audit of the financial receipt and payment activities of the main units of the Company and internal control conditions of operation management according to the annual audit plan approved by the Audit Committee of the Board, and carries out an evaluation of the effectiveness of the internal control of the systems of the Company every six months. The Company can take measures to recover defects in the internal control once they are identified.

The Board has completed an evaluation on the internal controls of the Group according to the requirement of the "Basic Norms of Internal Control for Enterprises". According to the identification standards for defects in internal control over financial reporting of the Company, as at the reference date of internal control assessment (31 December 2015), there was no material defect or important defect in the Group's internal control over the financial reporting. According to the identification standards for defects in internal control over non-financial reporting of the Company, as at the reference date of internal control assessment, there was no material defect or important defect in the Group's internal control over the non-financial reporting.

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

2. Description of the Development of Internal Control System of the Company

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

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



SECTION X CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Company timely tracked the regulatory changes, and based on the relevant stipulations and the latest requirements of the regulatory department, it carried out amendment to the relevant business systems and ancillary detailed rules of the Company; for the new businesses carried out the Company in the recent two years, such as stock option brokerage business, the market maker business of the national SME stock transfer system, dealer quoted securities repurchase business, equity swap transactions, outsourcing services of fund business, the internal control system was built according to risks, to ensure all businesses will develop in a health way under controllable risks.

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

3. Internal Control Evaluation

The Company has carried a self-evaluation of the design of internal control and effectiveness of running of the Group based on the Basic Norms of Internal Control for Enterprises, the Guidelines for the Internal Control of Securities Companies and the relevant requirements of the Hong Kong laws and regulations as of 31 December 2015. According to the identification standards for defects in internal control over financial reporting and non-financial reporting of the Company, as at the reference date of internal control assessment (31 December 2015), there was no material defect or important defect in the Group's internal control. Between the reference date of internal control assessment report and the issue date of internal control assessment report, there was no factors affecting the validity of the conclusion of the internal control assessment of the Group.

(xii) Compliance Management and Other Matters

1. Development of the Compliance Management System

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

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

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

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



SECTION X CORPORATE GOVERNANCE REPORT

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

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

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

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

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

In order to strengthen the compliance management toward branches, the Company has assigned 21 compliance officers in 21 regions and 356 full-time and part-time compliance managers and compliance associates in 356 branches, which enables compliance management to extend to the front line of the business.

- ② To strength the basic compliance work, strictly prevent the risk of violation of laws and regulations by the key businesses

In 2015, the securities market of China had extraordinary strong volatility, the Company continued to strengthen the basic compliance work, strengthened the training on compliance, inspection of compliance and strength of inspection of compliance, optimized the resource allocation of compliance work, strictly prevented material risk of violation of laws and regulations by the key businesses such as margin trading and securities lending and financial product agency business, etc.

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

In 2015, the Company arranged and held training in money laundering prevention and promotional activities, further strengthened the basic tasks of retention client information and identity identification; continued to refine and improve the money laundering prevention system and work flows; set up the money laundering prevention evaluation mechanism and system; set up and completed the money laundering prevention management system, significantly enhanced the information level of money laundering prevention work.



SECTION X CORPORATE GOVERNANCE REPORT

In 2015, the Company amended the “Information Firework Management Measures” and two ancillary detailed rules; formulated and promoted the implementation of synergy business “Draft of Identification of conflict of interest management”, carried out compliance inspection of new and departing employees, sent compliance reminders to new employees of the investment banking business; carried out special compliance training of changes in personnel of key positions; added 9 new functions in the compliance management platform; carried out Information Firework Education of the staff of the Company, with the employees of key positions in particular, through compliance training, compliance exam, compliance reminders and case study alerts.

2. Inspection completed by the compliance department

During the Reporting Period, according to requirements of the regulatory authorities, the material risk events in the market and the major risk issues reflected in the company management, the Company mainly conducted compliance inspections, including: the half-yearly and annual compliance inspection of the basic management of all branches and key businesses, inspection of new branches, inspection of proxy sale of financial products, compliance inception of corporate bond business, inspection of dealer-quoted repurchase, inspection of anti-money laundering, inspection of margin financing and securities lending business, inspection of access from external information system and compliance inspection of the securities investment business.

3. Inspection and audit completed by the audit department

During the Reporting Period, the internal audit department of the Company continued to adhere to the risk-oriented, internal control-focused and value adding-targeted mission, and mainly audited the high-risk businesses concerned by the Company’s headquarters, securities branches and regulatory authorities. During the Reporting Period, the audit department of the Company organized and completed a total of 119 audit projects, including a self-evaluation on the annual internal control of the Company’s headquarters, an assessment on the annual compliance effectiveness. There were 9 items of internal control audit and special audit including agency sale of private equity securities investment products, proprietary funds, capital expenditure budgeting and connected transactions; 1 item of economic liabilities audit of subsidiaries; 1 item each of the internal audit of subsidiaries and persons-in-charge of subsidiaries; internal audit of 65 securities business departments, economic liabilities audit of persons-in-charge of 40 securities business departments and 2 special audits of securities business departments.

4. Risk control indicator monitoring and top-up mechanism setup

The Company has a sound organizational system for risk control indicator management. The planning and finance department is responsible for the management of the Company’s risk control indicator; the risk management department is in charge of the supervision of the Company’s risk control indicator management and its stress tests; and the audit department conducts an internal audit and inspection of the internal risk control indicator management. In 2015, the Company focused on developing a new net capital monitoring supporting system and tried to developed a more stable system with more prompt and accurate information assess so as to realize real-time and dynamic monitoring and pre-warning of the Company’s net capital risk control indicators, In 2015, the financial planning department calculated and reported the liquidity coverage rate (LCR) of liquidity risk monitoring indicators and net stable fund rate (NSFR) on a monthly basis strictly following the regulatory requirements. In order to prevent any shock and impact on liquidity risk indicators at the end of period from factors such as large amount debts due of the Company, IPO and substantial increase in the scale of the margin financing and securities lending business, the risk management department has promptly adopted effective measures such as short-term borrowings and issue of long-term bond through earlier calculation and predicting liquidity risk indicators at the end of the period, so as to prevent the possible risk of exceeding the limit of liquidity risk indicators. With reference to the advanced experience in the industry, the Company has prepared a daily report on liquidity risk of the Company. Net capital risk control indicator monitoring in 2015 showed that the Company’s various risk control indicators continued to conform with regulatory provisions. Through the sensitivity analysis and stress test mechanism, based on the market and business development needs, regularly and irregularly carried out stress tests and sensitivity analysis, analyzed the conditions which may appear in the future and their impact on the net capital risk control indicator of the Company, and formulated the relevant



SECTION X CORPORATE GOVERNANCE REPORT

response measures, in particular during the extreme volatile periods in June to August, after we have completed to contribute funds to the China Securities Finance Corporation Limited (證金公司) and held stocks as strategic investor, we ensured that all risk control indicators reached the target levels.

The Company established a dynamic top-up mechanism and made long-term top-up plans for net capital. When the rapid development of capital-based intermediary business such as margin financing and securities lending, causes pressure on liquidity risk indicators the Company raised short-term capital to increase its liquidity coverage by way of short-term financing bonds and the transfer of margin financing and securities lending income rights, etc. It replenished the available stable fund to increase the net stable fund rate through the issuance of long-term subordinated bonds. Meanwhile, long-term subordinated bonds were included in net capital at a certain ratio according to regulatory requirements. In 2015, the Company followed the three-year capital planning formulated in 2014 to maintain its capital scale to be in line with its market position. The Company adhered to prudent financial principles, managing its balance sheets according to the logical thinking that the needs of business development determines the size of assets, the size of assets is a driving force of financing and an increase in financing enhances the operating leverage rate so as to ensure a dynamic balance between the business development and risk resistance capability of the Company. We made proper capital allocation and debt financing arrangements, when the capital adequacy target continued to fall or there were potential significant fall factors, the Company could start the financing programme at an appropriate time based on the market conditions to guarantee the level of the capital adequacy. As at the end of December 2015, the Company topped up RMB13.710 billion of capital by way of senior subordinated debts. In May 2015, the Company made a targeted increase of capital of H shares and increased the net capital by RMB18.864 billion. 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, strictly complied with the rules and regulations formulated by the Company such as the “Implementation Rules for Customers’ Account Management”, the “Implementation Rules for Customers’ Information Management” and the “Operating Procedures for Counter Brokerage Business”, and realized centralized verification of account information and centralized management of images so as to ensure new accounts conformed to the standards of qualified accounts; and completed procedures for re-activating dormant accounts and regulating unqualified accounts in strict accordance with the operating procedures so as to ensure that account regulation could be conducted in an orderly way.

During the Reporting Period, the business departments had no risk disposition account, and the Company’s original unqualified accounts and petty dormant accounts were regulated and re-activated orderly. In particular, the Company regulated 22 unqualified fund accounts, and recorded 1,845 unqualified fund accounts at the end of the Reporting Period; re-activated 30,878 petty dormant fund accounts, increased 0 petty dormant accounts annually and logged 2,044,348 petty dormant fund accounts at the end of the Reporting Period (including: 290,507 pure fund accounts under management with reference to standards for dormant account management). Apart from that, the Company scored 101 fund accounts judicially frozen at the end of the Reporting Period, increasing by 13 accounts.



SECTION X CORPORATE GOVERNANCE REPORT

Item	At the end of 2014 (RMB Accounts)	At the end of 2015 (RMB Accounts)	Change
Dormant fund accounts	2,075,266 (including pure fund accounts: 536,735)	2,044,348 (including pure fund accounts: 290,507)	Re-activated 30,878. No increase in dormant accounts as CSDC did not conduct securities account freezing in 2015
Unqualified fund accounts	1,867	1,845	Decreased by 22
Judicially-frozen fund accounts	88	101	Increased by 13
Risk disposition accounts	0	0	–



SECTION XI INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

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

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 160 to 260, which comprise the consolidated statement of financial position as at 31 December 2015, 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 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 financial position of the Group as at 31 December 2015, and of its financial performance 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

24 March 2016



SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2015	2014
Revenue			
Commission and fee income	5	17,279,411	7,134,992
Interest income	6	11,725,456	4,181,986
Net investment gains	7	4,453,637	1,652,665
		33,458,504	12,969,643
Other income and gains	8	300,770	46,917
Total revenue and other income		33,759,274	13,016,560
Depreciation and amortization	9	(184,496)	(187,240)
Staff costs	10	(9,559,047)	(4,191,285)
Commission and fee expenses	11	(446,655)	(201,098)
Interest expenses	12	(7,030,048)	(1,377,234)
Other operating expenses	13	(3,263,413)	(2,016,130)
Impairment losses	14	(141,644)	(40,619)
Total expenses		(20,625,303)	(8,013,606)
Share of result of an associate		–	345
Profit before income tax		13,133,971	5,003,299
Income tax expense	15	(3,257,320)	(1,212,915)
Profit for the year		9,876,651	3,790,384
Attributable to:			
Owners of the Company		9,835,510	3,770,728
Non-controlling interests		41,141	19,656
		9,876,651	3,790,384
Earnings per share attributable to owners of the Company (in RMB)			
– Basic	16	1.11	0.50

The notes on pages 167 to 260 form an integral part of these consolidated financial statements.

SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2015	2014
Profit for the year	9,876,651	3,790,384
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Available-for-sale financial assets		
Net fair value changes during the year	3,180,881	1,001,372
Reclassification adjustment to profit or loss on disposal	(2,729,053)	(224,054)
Reclassification adjustment to profit or loss on impairment	–	14,238
Income tax impact	(112,957)	(197,889)
Subtotal	338,871	593,667
Share of other comprehensive income of an associate	–	(190)
Exchange differences arising on translation of foreign operations	55,132	(1,026)
	394,003	592,451
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit obligation	(8,540)	(46,900)
	(8,540)	(46,900)
Other comprehensive income for the year, net of income tax	385,463	545,551
Total comprehensive income for the year	10,262,114	4,335,935
Attributable to:		
Owners of the Company	10,220,973	4,316,279
Non-controlling interests	41,141	19,656
	10,262,114	4,335,935

The notes on pages 167 to 260 form an integral part of these consolidated financial statements.



SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
		2015	2014
Non-current assets			
Property and equipment	18	450,507	379,572
Goodwill	19	223,278	223,278
Other intangible assets	20	363,359	355,161
Investment in an associate	21	–	20,011
Available-for-sale financial assets	22	16,273,629	511,862
Financial assets held under resale agreements	29	323,624	89,652
Investments classified as loan and receivables	23	2,869,100	250,000
Deposits with exchanges and a non-bank financial institution	24	849,869	242,235
Deferred tax assets	25	131,017	347,650
Total non-current assets		21,484,383	2,419,421
Current assets			
Advances to customers	26	70,138,177	61,442,657
Accounts receivable	27	764,030	458,257
Other receivables and prepayments	28	2,372,734	1,116,671
Available-for-sale financial assets	22	15,851,557	11,071,673
Investments classified as loans and receivables	23	250,000	–
Financial assets held under resale agreements	29	21,467,065	7,315,173
Financial assets held for trading	30	37,267,147	5,961,256
Financial assets designated at fair value through profit or loss	31	1,656,671	1,360,847
Derivative financial assets	32	23,536	–
Deposits with exchanges and a non-bank financial institution	24	3,539,094	5,807,780
Clearing settlement funds	33	23,259,552	31,260,370
Bank balances	34	102,581,605	51,811,602
Total current assets		279,171,168	177,606,286
Total assets		300,655,551	180,025,707
EQUITY AND LIABILITIES			
Equity			
Share capital	36	9,537,259	7,537,259
Reserves	37	33,382,405	13,232,153
Retained profits	37	13,993,902	8,254,385
Equity attributable to owners of the Company		56,913,566	29,023,797
Non-controlling interests		335,850	312,123
Total equity		57,249,416	29,335,920

SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
		2015	2014
Liabilities			
Non-current liabilities			
Bonds payable	38	27,570,925	6,200,000
Financing instrument payables	40	3,000,000	–
Other payables and accruals	43	2,790,184	200,000
Financial assets sold under repurchase agreements	44	–	2,575,000
Total non-current liabilities		33,361,109	8,975,000
Current liabilities			
Bonds payable	38	22,830,000	20,700,000
Due to banks and a non-bank financial institution	39	1,190,515	1,812,123
Financing instrument payables	40	10,867,870	5,417,910
Accounts payable to brokerage clients	41	117,992,209	78,407,509
Accrued staff costs	42	5,543,795	2,932,674
Other payables and accruals	43	5,741,762	1,901,186
Current tax liabilities		633,473	354,376
Financial liabilities held for trading		51,039	–
Derivative financial liabilities	32	341,443	24,084
Financial assets sold under repurchase agreements	44	44,852,920	30,164,925
Total current liabilities		210,045,026	141,714,787
Total liabilities		243,406,135	150,689,787
Total equity and liabilities		300,655,551	180,025,707
Net current assets		69,126,142	35,891,499
Total assets less current liabilities		90,610,525	38,310,920

The notes on pages 167 to 260 form an integral part of these consolidated financial statements.

Approved and authorized for issue by the Board of Directors on 24 March 2016.

Chen Youan

DIRECTOR

Gu Weiguo

DIRECTOR



SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Equity attributable to owners of the Company									
	Share capital	Reserves					Retained profits	Subtotal	Non-controlling interests	Total equity
		Capital reserve	Investment revaluation reserve	Translation reserve	General reserves	Other reserves				
Balance at 1 January 2014	7,537,259	4,798,418	(334,940)	(17,034)	7,100,838	20,292	6,069,995	25,174,828	246,838	25,421,666
Profit for the year	-	-	-	-	-	-	3,770,728	3,770,728	19,656	3,790,384
Other comprehensive income/ (expense) for the year	-	-	593,477	(1,026)	-	(46,900)	-	545,551	-	545,551
Total comprehensive income/ (expense) for the year	-	-	593,477	(1,026)	-	(46,900)	3,770,728	4,316,279	19,656	4,335,935
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	60,000	60,000
Appropriation to general reserves	-	-	-	-	1,119,028	-	(1,119,028)	-	-	-
Dividend recognized as distribution	-	-	-	-	-	-	(467,310)	(467,310)	-	(467,310)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(14,371)	(14,371)
Balance at 31 December 2014	7,537,259	4,798,418	258,537	(18,060)	8,219,866	(26,608)	8,254,385	29,023,797	312,123	29,335,920
Profit for the year	-	-	-	-	-	-	9,835,510	9,835,510	41,141	9,876,651
Other comprehensive income/ (expense) for the year	-	-	338,871	55,132	-	(8,540)	-	385,463	-	385,463
Total comprehensive income/ (expense) for the year	-	-	338,871	55,132	-	(8,540)	9,835,510	10,220,973	41,141	10,262,114
Placing of new H shares	2,000,000	16,923,098	-	-	-	-	-	18,923,098	-	18,923,098
Costs of placing of new H shares	-	(48,341)	-	-	-	-	-	(48,341)	-	(48,341)
Appropriation to general reserves	-	-	-	-	2,890,032	-	(2,890,032)	-	-	-
Dividend recognized as distribution	-	-	-	-	-	-	(1,205,961)	(1,205,961)	-	(1,205,961)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(17,414)	(17,414)
Balance at 31 December 2015	9,537,259	21,673,175	597,408	37,072	11,109,898	(35,148)	13,993,902	56,913,566	335,850	57,249,416

The notes on pages 167 to 260 form an integral part of these consolidated financial statements.

SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2015	2014
OPERATING ACTIVITIES		
Profit before income tax	13,133,971	5,003,299
Adjustments for		
Interest expenses	7,030,048	1,377,234
Share of result of an associate	–	(345)
Depreciation and amortization	184,496	187,240
Impairment losses	141,644	40,619
Gain on disposal of property and equipment and other intangible assets	(706)	(583)
Foreign exchange gains, net	(248,778)	(238)
Net realized gains from disposal of available-for-sale financial assets	(2,773,545)	(224,054)
Dividend income and interest income from available-for-sale financial assets	(733,706)	(520,482)
Interest income from loan investment	(10,305)	(38,736)
Operating cash flows before movements in working capital	16,723,119	5,823,954
Increase in advances to customers	(8,778,574)	(43,049,879)
Increase in accounts and other receivables and prepayments	(1,395,698)	(429,468)
Increase in financial assets held under resale agreements	(14,392,374)	(6,120,987)
Increase in financial assets at fair value through profit or loss	(31,625,251)	(1,349,995)
(Increase)/decrease in restricted bank deposits	(689,234)	16,000
Decrease/(increase) in deposits with exchanges and a non-bank financial institution	1,661,052	(3,209,273)
Decrease/(increase) in clearing settlement funds-clients	8,620,414	(26,127,518)
Increase in cash held on behalf of customers	(49,738,382)	(14,413,352)
Increase in accounts payable to brokerage clients, accrued staff costs and other payables and accruals	43,537,821	44,301,907
Increase in financial liabilities at fair value through profit or loss	368,398	16,201
Increase in financial assets sold under repurchase agreements	12,112,995	23,841,538
(Decrease)/increase in placements from a non-bank financial institution	(1,000,000)	710,000
Decrease in provisions	(165)	(17,971)
Cash used in operations	(24,595,879)	(20,008,843)
Income taxes paid	(2,872,975)	(1,075,922)
Interest paid	(2,848,195)	(821,181)
NET CASH USED IN OPERATING ACTIVITIES	(30,317,049)	(21,905,946)



SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2015	2014
INVESTING ACTIVITIES			
Dividends and interest received from investments		588,564	529,791
Purchases of property and equipment and other intangible assets		(269,955)	(187,842)
Proceeds from disposal of property and equipment and other intangible assets		7,033	9,376
Purchase of available-for-sale financial assets		(45,033,591)	(10,555,093)
Proceeds from disposal of available-for-sale financial assets		27,707,324	9,753,062
Increase in investments classified as loans and receivables		(2,869,100)	(160,000)
Placement of bank deposits with original maturity of more than three months		(1,251,051)	(1,170,000)
Maturity of bank deposits with original maturity of more than three months		1,200,595	1,389,890
NET CASH USED IN INVESTING ACTIVITIES		(19,920,181)	(390,816)
FINANCING ACTIVITIES			
Proceeds from issuance of H shares		18,923,098	–
Dividends paid		(1,205,961)	(891,755)
Dividends paid to non-controlling shareholders		(17,414)	(26,098)
Capital injection from non-controlling shareholders		–	60,000
Cash injected to consolidated structured entities, net		2,906,946	–
Proceeds from short-term notes and bonds issued		47,400,925	27,410,000
Proceeds from borrowing and financing instrument payables		55,125,174	8,932,803
Repayment of borrowing and financing instrument payables		(46,296,823)	(3,005,457)
Repayment of short-term notes and bonds		(23,900,000)	(4,510,000)
Interest paid in respect of borrowing and financing instrument payables		(508,402)	(22,294)
Interest paid in respect of short-term notes and bonds		(1,541,737)	(253,809)
Transaction costs paid on issue of H shares		(6,614)	(88,420)
Transaction costs paid on issue of short-term notes and bonds		–	(201)
NET CASH FROM FINANCING ACTIVITIES		50,879,192	27,604,769
NET INCREASE IN CASH AND CASH EQUIVALENTS		641,962	5,308,007
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		7,503,887	2,194,510
Effect of foreign exchange rate changes		269,565	1,370
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	35	8,415,414	7,503,887
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		11,000,337	4,145,007
Total interest paid		(4,898,333)	(1,097,484)

The notes on pages 167 to 260 form an integral part of these consolidated financial statements.



SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

Pursuant to the approval from the China Securities Regulatory Commission (the “CSRC”), China Galaxy Securities Co., Ltd. (the “Company”) was established in Beijing, the People’s Republic of China (the “PRC”) on 26 January 2007 with a registered capital of RMB6 billion. In May 2013, the Company issued H shares which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). As at 31 December 2015, the registered share capital of the Company is RMB9,537.26 million.

The Company completed its placement of H shares on Hong Kong Stock Exchange on 5 May 2015. The Company issued a total of 2,000 million shares with a nominal value of RMB1 per share. After this placement, total share capital of the Company was increased to RMB9,537.26 million.

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

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

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

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

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

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

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

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle

None of the above amendments to IFRSs, however, have had a material impact on the financial position or performance of the Group for the year ended 31 December 2015.



SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

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

2.2 New and revised IFRSs issued but not yet effective

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

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers ¹
IFRS 16	Leases ²
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
Amendments to IAS 1	Disclosure Initiative ³
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization ³
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception ³
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle ³
Amendments to IAS 7	Disclosure Initiative ⁵
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses ⁵

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after a date to be determined

⁵ Effective for annual periods beginning on or after 1 January 2017

Except for the following new and revised IFRSs, directors of the Company are of the view that the application of these new and revised but not yet effective IFRSs is unlikely to have a significant impact on the consolidated financial statements:

IFRS 9 – Financial Instruments

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

SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

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

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

IFRS 9 – Financial Instruments (Continued)

Key requirements of IFRS 9 are described below:

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



SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

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

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

IFRS 9 – Financial Instruments (Continued)

Application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. Furthermore, the expected credit loss model may result in early recognition of credit losses. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 15 – Revenue from Contracts with Customers

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

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

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

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

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



SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”) and the disclosures required by the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and Hong Kong Companies Ordinance (“CO”).

The provisions of the new CO regarding preparation of accounts and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO regarding preparation of accounts and directors’ reports and audits. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

Basis of preparation

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

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

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



SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

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

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

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

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

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

SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

When the Group has decision-making rights (a decision maker) over a structured entity, the Group considers the overall relationship with the relevant structured entity and other investors involved with the structured entity, in particular all the factors below, in determining whether the Group is acting as an agent or principal:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreement(s); and
- the Group's exposure to variability of returns from other interests that it holds in the investee.

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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



SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses.

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.

Investments in associates

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

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

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

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

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

SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

Upon disposal of an associate that results in the Group losing significant influence over that investee, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value 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 loses significant influence over the associate.

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

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

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

Revenue recognition

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

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



SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

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

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

Government grants

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

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

Employee benefits

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

Social welfare

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

Annuity scheme

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



SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Supplementary retirement benefits

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

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

Early retirement benefits

The Group provides early retirement benefits to those employees in Mainland China who accepted an early retirement arrangement. The present value of the early retirement benefits obligation is recognized when the employees voluntarily retired before the normal retirement date, as approved by the management. Management recognized the early retirement benefits liability as at the end of the reporting period with the changes recognized in profit or loss.

Taxation

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

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

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

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

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

SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

Property and equipment

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

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

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

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

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



SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

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

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

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

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

Intangible assets acquired in a business combination

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

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

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

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

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

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

SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible and intangible assets other than goodwill and financial assets (Continued)

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

Provision

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

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

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

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



SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

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

Loans and receivables

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

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.

SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets (Continued)

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

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

Impairment of financial assets

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

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

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

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

For certain categories of financial asset, such as advances to customers and accounts receivable, 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 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.



SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

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

Financial liabilities and equity instruments

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

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

Financial liabilities at FVTPL

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

Other financial liabilities

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

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 the Company are recognized at the proceeds received from external parties, net of direct issue costs.

SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Effective interest method

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

Derivative financial instruments

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

Embedded derivatives

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

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

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

Securities lending

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

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, 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.



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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition (Continued)

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.

Offsetting financial assets and financial liabilities

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and option pricing models. To the extent practical market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

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

Details are set out in note 56.

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

Key sources of estimation uncertainty (Continued)

Impairment of available-for-sale financial assets

The determination of whether available-for-sale financial assets are impaired requires significant judgement. For listed available-for-sale equity investments and other equity related investments measured at fair value, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. In assessing whether 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 judgements 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 in profit or loss. Details of available-for-sale financial assets are set out in note 22.

Impairment of advances to customers

The Group reviews its advances to customers to assess impairment on a periodic basis. In determining whether an impairment loss should be recognized in profit or loss, the Group assesses the value of advances to customers firstly on an individual basis principally by reviewing 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.

The policy for collective impairment allowances for advances to customers of the Group is based on the evaluation of probability of default, loss given default and exposure at default of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realization of these loans and advances, including the current creditworthiness, and the past collection history of each loan and advance. Details of advances to customers are set out in note 26.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated (which is the higher of its fair value less costs of disposal and its value in use). 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 or when there is downward revision of estimated future cash flows due to changes in facts and circumstances, a material impairment loss may arise. Details of the recoverable amount calculation are disclosed in note 19.

Income taxes

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

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

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



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

Critical judgement in applying accounting policies

Determination of consolidation scope

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

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

5. COMMISSION AND FEE INCOME

	Year ended 31 December	
	2015	2014
Commission on securities dealing and broking and handling fee income	15,608,100	5,532,522
Underwriting and sponsors fees	584,837	974,444
Commission on futures and options contracts dealing and broking and handling fee income	354,662	324,925
Consultancy and financial advisory fee income	207,914	101,918
Asset management fee income	449,058	192,274
Others	74,840	8,909
	17,279,411	7,134,992

6. INTEREST INCOME

The following is the analysis excluding interest income from investments:

	Year ended 31 December	
	2015	2014
Deposits with exchanges and a non-bank financial institution and bank balances	3,972,825	1,614,933
Advances to customers and securities lending	7,514,484	2,497,834
Financial assets held under resale agreements	238,147	69,219
	11,725,456	4,181,986

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7. NET INVESTMENT GAINS

	Year ended 31 December	
	2015	2014
Investment gains from available-for-sale financial assets	2,773,556	224,054
Dividend income and interest income from available-for-sale financial assets	733,706	520,482
Investment gains from financial assets held for trading	174,417	95,133
Dividend income and interest income from financial assets held for trading	588,469	424,830
Investment (losses)/gains from financial assets designated at fair value through profit or loss	(445,977)	670,756
Dividend income and interest income from financial assets designated at fair value through profit or loss	47,082	8,472
Interest income from investments classified as loans and receivables	10,305	38,736
Investment (losses)/gains from derivatives	572,375	(329,798)
Investment gains from financial liabilities designated at fair value through profit or loss	(296)	–
	4,453,637	1,652,665

8. OTHER INCOME AND GAINS

	Year ended 31 December	
	2015	2014
Rental income	12,471	11,818
Government grants	13,967	16,790
Gain on disposal of property and equipment and other intangible assets	706	583
Foreign exchange gains, net	248,778	238
Others	24,848	17,488
	300,770	46,917

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	
	2015	2014
Depreciation for property and equipment	152,283	157,238
Amortization of other intangible assets	32,213	30,002
	184,496	187,240

10. STAFF COSTS

	Year ended 31 December	
	2015	2014
Salaries, bonus and allowances	8,497,178	3,484,984
Social welfare	458,886	377,059
Contributions to annuity schemes	159,244	81,342
Supplementary retirement benefits	7,919	7,643
Early retirement benefits	1,815	4,932
Others	434,005	235,325
	9,559,047	4,191,285

11. COMMISSION AND FEE EXPENSES

	Year ended 31 December	
	2015	2014
Securities and futures dealing and broking expenses	408,974	175,055
Underwriting and sponsors fee expenses	20,550	17,589
Other service expenses	17,131	8,454
	446,655	201,098

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12. INTEREST EXPENSES

	Year ended 31 December	
	2015	2014
Interest on liabilities that are wholly repayable within five years:		
– Accounts payable to brokerage clients	540,212	159,022
– Financial assets sold under repurchase agreements	2,401,579	757,393
– Due to banks and non-bank financial institutions	111,306	67,216
– Financing instrument payables	850,479	33,265
– Bonds payable	3,126,472	360,338
	7,030,048	1,377,234

13. OTHER OPERATING EXPENSES

	Year ended 31 December	
	2015	2014
Auditors' remuneration	4,235	4,037
General and administrative expenses	552,848	496,918
Business tax and other taxes	1,656,959	589,555
Operating lease rentals in respect of rented premises	454,771	442,680
Data transmission expenses	184,840	157,302
Securities investor protection funds	144,000	62,564
Business travel expenses	90,826	88,982
Utilities expenses	45,681	47,126
Sundry expenses	129,253	126,966
	3,263,413	2,016,130

14. IMPAIRMENT LOSSES

	Year ended 31 December	
	2015	2014
Accounts receivable	9,136	1,247
Other receivables	12,945	15,134
Available-for-sale financial assets	30,000	24,238
Advances to customers	83,053	–
Financial assets held under resale agreements	6,510	–
	141,644	40,619



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15. INCOME TAX EXPENSE

	Year ended 31 December	
	2015	2014
Current income tax		
PRC Enterprise Income Tax	3,125,563	1,444,074
Hong Kong Profits Tax	24,917	7,070
Under/(over) provision in prior years:		
PRC Enterprise Income Tax	2,995	(775)
Hong Kong Profits Tax	169	(119)
Subtotal	3,153,644	1,450,250
Deferred income tax (note 25)	103,676	(237,335)
	3,257,320	1,212,915

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	
	2015	2014
Profit before income tax	13,133,971	5,003,299
Tax at the statutory tax rate of 25%	3,283,493	1,250,825
Expenses not deductible for tax purposes	41,838	36,519
Income not subject to tax	(55,452)	(61,679)
Unused tax losses	–	3,295
Effect of different tax rates of subsidiaries	(14,928)	(2,907)
Utilization of tax losses previously not recognized	(795)	(12,244)
Under/(over) provision in prior years	3,164	(894)
Income tax expense for the year	3,257,320	1,212,915

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16. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share for the year ended 31 December 2015 and 2014 is based on the profit attributable to owners of the Company and the number of ordinary shares in issue during the periods.

	Year ended 31 December	
	2015	2014
Profit attributable to owners of the Company	9,835,510	3,770,728
Weighted average number of shares in issue (thousand)	8,857,807	7,537,259
Earnings per share:		
Basic earnings per share (in RMB)	1.11	0.50

No diluted earnings per share has been presented for the year ended 31 December 2015 and 2014 as the Group had no potential ordinary shares in issue during the periods.

17. DIVIDEND

	As at 31 December	
	2015	2014
Dividend recognized as distribution	1,205,961	467,310

A dividend in respect of 2014 of RMB1.26 per 10 shares (inclusive of tax), or a total of RMB1,205.96 million, based on a total of 9,537,258,757 shares in issue, was approved at the Annual General Meeting on 29 June 2015.

A dividend in respect of 2013 of RMB0.62 per 10 shares (inclusive of tax), or a total of RMB467.31 million, based on a total of 7,537,258,757 shares in issue, was approved at the Annual General Meeting on 12 June 2014.



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18. PROPERTY AND EQUIPMENT

	Leasehold land and buildings	Electronic and communication equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
COST						
As at 1 January 2014	245,040	681,861	90,369	121,784	292,123	1,431,177
Additions	–	53,342	5,434	12,594	79,601	150,971
Disposals/written-off	–	(56,437)	(4,004)	(7,835)	(74,231)	(142,507)
As at 31 December 2014	245,040	678,766	91,799	126,543	297,493	1,439,641
ACCUMULATED DEPRECIATION						
As at 1 January 2014	98,517	598,441	73,504	83,377	183,664	1,037,503
Charge for the year	10,940	47,219	7,341	17,404	74,334	157,238
Disposals/written-off	–	(50,441)	(3,135)	(6,865)	(74,231)	(134,672)
As at 31 December 2014	109,457	595,219	77,710	93,916	183,767	1,060,069
CARRYING VALUES						
As at 31 December 2014	135,583	83,547	14,089	32,627	113,726	379,572
COST						
As at 1 January 2015	245,040	678,766	91,799	126,543	297,493	1,439,641
Additions	27	149,204	5,587	11,827	61,780	228,425
Disposals/written-off	–	(95,399)	(2,077)	(7,005)	(60,306)	(164,787)
As at 31 December 2015	245,067	732,571	95,309	131,365	298,967	1,503,279
ACCUMULATED DEPRECIATION						
As at 1 January 2015	109,457	595,219	77,710	93,916	183,767	1,060,069
Charge for the year	10,882	56,102	5,257	14,762	65,280	152,283
Disposals/written-off	–	(90,605)	(1,973)	(6,696)	(60,306)	(159,580)
As at 31 December 2015	120,339	560,716	80,994	101,982	188,741	1,052,772
CARRYING VALUES						
As at 31 December 2015	124,728	171,855	14,315	29,383	110,226	450,507

As at 31 December 2015, certain acquired buildings of the Group with a carrying value of RMB24.39 million (2014: RMB26.59 million) were in the process of title registration. The directors of the Company are of the opinion that the Group has ownership of the buildings.

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19. GOODWILL

	As at 31 December	
	2015	2014
Cost and carrying value, at beginning and end of the year	223,278	223,278

Impairment testing on goodwill

The Group acquired the securities brokerage business, investment banking business together with the relevant assets and liabilities, and the interest in Galaxy Futures Company Limited from China Galaxy Securities LLC. (the “former Galaxy”) in January 2007. The Group recognized the excess of acquisition cost over the fair value of the net identifiable assets acquired as the goodwill. For the purpose of impairment testing, the goodwill has been allocated to the cash generating unit engages in securities brokerage business.

During the years ended 31 December 2015 and 2014, management of the Group determined that there was no impairment of the relevant CGUs containing the goodwill and trading rights with indefinite useful lives (see note 20) as the recoverable amounts of the CGUs exceed their respective carrying amounts.

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

The recoverable amount of the securities brokerage CGU has been determined on the basis of value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period, and at a discount rate of 12.83% as at 31 December 2015 (2014: 15.78%). 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

	Trading rights	Computer software	Total
COST			
As at 1 January 2014	303,410	145,541	448,951
Additions	500	36,371	36,871
Disposals/written-off	–	(4,082)	(4,082)
As at 31 December 2014	303,910	177,830	481,740
ACCUMULATED AMORTIZATION			
As at 1 January 2014	–	99,700	99,700
Charge for the year	–	30,002	30,002
Disposals/written-off	–	(3,123)	(3,123)
As at 31 December 2014	–	126,579	126,579
CARRYING VALUES			
As at 31 December 2014	303,910	51,251	355,161
COST			
As at 1 January 2015	303,910	177,830	481,740
Additions	–	41,530	41,530
Disposals/written-off	–	(3,011)	(3,011)
As at 31 December 2015	303,910	216,349	520,259
ACCUMULATED AMORTIZATION			
As at 1 January 2015	–	126,579	126,579
Charge for the year	–	32,213	32,213
Disposals/written-off	–	(1,892)	(1,892)
As at 31 December 2015	–	156,900	156,900
CARRYING VALUES			
As at 31 December 2015	303,910	59,449	363,359

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20. OTHER INTANGIBLE ASSETS (Continued)

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.

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:

	As at 31 December	
	2015	2014
Securities brokerage	290,548	291,670
Others	13,362	12,240
	303,910	303,910

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 2015 and 2014.

21. INVESTMENT IN AN ASSOCIATE

	As at 31 December	
	2015	2014
Carrying amount of unlisted investment	–	20,011
Allowance for impairment losses	–	–
Net carrying amount	–	20,011

Details of the associate are as follows:

Name of subsidiary	Place of establishment	Proportion of equity interests held by the Group		Proportion of voting power		Principal activities
		2015	2014	2015	2014	
Zhongguancun Equity Exchange Services Group Limited (中關村股權交易服務集團有限公司) (formerly Beijing Equity Exchange Centre Co., Ltd.) (北京股權交易中心有限公司)	Beijing, PRC	4%	10%	4%	10%	Operates an exchange for the trading of unlisted equity investments and debt securities



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21. INVESTMENT IN AN ASSOCIATE (Continued)

The following table provides a summary of total comprehensive income of the associate attributable to the Company:

	Year ended 31 December	
	2015	2014
Profit for the year	–	345
Other comprehensive income/(expense)	–	(190)
Total comprehensive income for the year	–	155

During the year, the Company's shareholding in Zhongguancun Equity Exchange Services Group Limited ("Zhongguancun Equity Exchange") was reduced to 4% on issue of new shares by Zhongguancun Equity Exchange in 2015 in which the Company did not participate and as a result, the Company no longer has the right to appoint a director. Therefore, the investment in Zhongguancun Equity Exchange was reclassified to available-for-sale financial assets on the date the Group no longer has significant influence over the associate.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current	As at 31 December	
	2015	2014
Measured at fair value:		
Other investments ⁽¹⁾	12,726,202	233,724
Funds	3,266,039	–
Measured at cost:		
Equity securities ⁽²⁾		
– issued by corporate entities	281,388	278,138
	16,273,629	511,862
Analyzed as:		
Listed	3,266,039	–
Unlisted	13,007,590	511,862

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

Current	As at 31 December	
	2015	2014
Measured at fair value:		
Debt securities	12,753,740	9,008,310
– government bonds	123,828	303,324
– corporate bonds	12,579,092	8,704,986
– financial bonds	50,820	–
Equity securities	2,107,976	424,261
– issued by corporate entities	1,348,856	376,747
– issued by banks and other financial institutions	324	46,434
– issued by public utility entities	758,796	926
– issued by others	–	154
Funds	8,065	11,588
Other investments ⁽¹⁾	981,776	1,627,514
	15,851,557	11,071,673
Analyzed as:		
Listed	13,427,226	9,081,371
Unlisted	2,424,331	1,990,302

- (1) Included in the balance represents an investment in a designated account managed by China Securities Finance Corporation Limited (the “CSFCL”) together with other securities companies for the purpose of maintaining stability in the PRC stock markets. Pursuant to the agreements the Company entered into with CSFCL, the Company contributed RMB10,500 million to the designated account managed by CSFCL in 2015. Risks and income arising from the investment shall be shared by the participating securities companies in proportion to their respective contribution. As at 31 December 2015, the fair value of the investment in the designated account was determined according to the valuation report provided by CSFCL.

The remaining balance mainly represents investments in: (i) collective asset management schemes issued and managed by the Group, whereby the Group’s interest in and exposure to them are not significant; (ii) wealth management products issued by banks; (iii) targeted asset management schemes (or trust schemes) managed by non-bank financial institutions, which mainly invest in debt securities, publicly traded equity securities listed in the PRC and loans. The Group has committed to hold some of its investments in collective asset management schemes managed by the Group till the end of the investment period, the amount of which is RMB420 million as at 31 December 2015 (2014: RMB346 million).

- (2) During the year ended 31 December 2015, the Group made an impairment loss of RMB30 million (2014: RMB10 million) in respect of private equity investments measured at cost less impairment.

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



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

Included in the Group's listed equity securities of approximately RMB1,949.48 million as at 31 December 2015 (2014: RMB151.53 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 entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale equity securities and exchange-traded funds ("ETF") to clients. These securities continued to be recognized as financial assets of the Group and the total fair value amounted to RMB9.19 million (2014: RMB38.40 million).

23. INVESTMENTS CLASSIFIED AS LOAN AND RECEIVABLES

As at 31 December 2015, the loan investment is a loan and a trust invested by self-management product to third parties through a debt investment plan.

	As at 31 December	
	2015	2014
Non-current		
Trust schemes (i)	2,869,100	–
Unsecured loan receivables (ii)	–	250,000
	2,869,100	250,000
	As at 31 December	
	2015	2014
Current		
Unsecured loan receivables (ii)	250,000	–
	250,000	–

(i) As at 31 December 2015, the non-current trust schemes were issued and managed by non-bank financial institutions which invest in asset-backed securities issued by a bank.

(ii) As at 31 December 2015, the unsecured loan receivables bear interest at 12% per annum (2014: 12% per annum) and are repayable within one year.

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

	As at 31 December	
	2015	2014
Non-current		
Deposits with stock exchanges		
– Shanghai Stock Exchange	456,608	87,216
– Shenzhen Stock Exchange	329,886	75,356
– Hong Kong Stock Exchange	9,593	19,456
– National Equities Exchange and Quotations	200	428
Deposits with futures and commodity exchanges		
– Hong Kong Futures Exchange	40,284	50,678
– Shanghai Gold Exchange	2,820	2,820
Guarantee fund paid to Shenzhen Stock Exchange	6,281	6,281
Others	4,197	–
	849,869	242,235
	As at 31 December	
	2015	2014
Current		
Deposits with futures and commodity exchanges		
– China Financial Futures Exchange	1,633,722	2,084,664
– Shanghai Futures Exchange	1,070,864	1,214,332
– Dalian Commodity Exchange	552,443	795,588
– Zhengzhou Commodity Exchange	282,062	502,629
China Securities Finance Corporation Limited	3	1,210,567
	3,539,094	5,807,780

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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:

	As at 31 December	
	2015	2014
Net deferred income tax assets, at beginning of year	347,650	308,204
Recognized in profit or loss	(103,676)	237,335
Recognized in other comprehensive income	(112,957)	(197,889)
Net deferred income tax assets, at end of year	131,017	347,650

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

	Changes in fair value of financial assets at fair value through profit or loss	Changes in fair value of available- for-sale financial assets	Accrued staff costs	Allowance of impairment losses	Accrued interest expenses	Accrued expenses	Changes in fair value of derivative instruments	Accrued interest income	Provisions	Others	Total
At 1 January 2014	27,763	111,710	263,882	17,471	24,109	6,524	1,195	(150,390)	4,534	1,406	308,204
(Charge)/credit to profit or loss	(175,172)	-	397,306	4,633	69,864	4,322	14,530	(65,965)	(4,493)	(7,690)	237,335
Charge to other comprehensive income	-	(197,889)	-	-	-	-	-	-	-	-	(197,889)
At 31 December 2014	(147,409)	(86,179)	661,188	22,104	93,973	10,846	15,725	(216,355)	41	(6,284)	347,650
(Charge)/credit to profit or loss	(4,745)	-	(419,560)	23,410	532,873	7,596	65,958	(304,173)	(41)	(4,994)	(103,676)
Charge to other comprehensive income	-	(112,957)	-	-	-	-	-	-	-	-	(112,957)
At 31 December 2015	(152,154)	(199,136)	241,628	45,514	626,846	18,442	81,683	(520,528)	-	(11,278)	131,017

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes, if any, and the taxes are to be levied by the same tax authority, and of the same taxable entity.

The Group has estimated unrecognized deductible temporary differences and deductible tax losses arising from subsidiaries in the Group of approximately RMB193.04 million as at 31 December 2015 (2014: RMB166.22 million), available for offsetting against future profits of subsidiaries, of which deductible tax losses amounted to RMB5.54 million as at 31 December 2015 (2014: RMB8.72 million).

No deferred tax asset has been recognized due to the unpredictability of future profit streams. Tax losses arising from Hong Kong entities of RMB5.54 million as at 31 December 2015 (2014: RMB5.54 million) can be carried forward indefinitely.

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26. ADVANCES TO CUSTOMERS

	As at 31 December	
	2015	2014
Loans to margin clients	69,955,846	60,960,411
Other loans and advances	265,384	482,246
Less: Impairment on advances to customers	(83,053)	–
	70,138,177	61,442,657

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 2015 was RMB7,742.19 million (2014: RMB11,936.98 million).

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value to the users of these consolidated financial statements in view of the nature of business of securities margin financing.

The Group evaluates the collectability of loans based on management's judgement regarding the change in credit quality, collateral value and the past collection history of each client.

The Group determines the allowance for impaired debts based on the evaluation of collectability and on management's judgment including the assessment of change in credit quality and collateral.

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



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27. ACCOUNTS RECEIVABLE

	As at 31 December	
	2015	2014
Accounts receivable of:		
Client securities settlement	53,298	139,501
Brokers and dealers	82,833	45,248
Clearing house (note 54)	80,095	25,453
Underwriting and sponsors fee	232,243	87,822
Trading rights rental commission	165,943	105,083
Asset management and funds distribution handling fee	150,718	57,866
Others	18,140	7,388
Subtotal	783,270	468,361
Less: Impairment on accounts receivable	(19,240)	(10,104)
Total	764,030	458,257

Aging analysis of accounts receivable is as follows:

	As at 31 December	
	2015	2014
Within 1 year	714,158	457,032
Between 1 and 2 years	49,442	1,209
Between 2 and 3 years	420	16
Over 3 years	10	–
	764,030	458,257

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

	As at 31 December	
	2015	2014
At beginning of the year	10,104	8,857
Impairment losses recognized	9,136	1,247
At end of the year	19,240	10,104

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

	As at 31 December	
	2015	2014
Prepaid taxes	9,834	1,572
Interest receivable	2,167,172	889,990
Prepaid expenses	138,476	168,268
Fund redemption receivable	6,995	3,762
Others	62,950	65,276
Subtotal	2,385,427	1,128,868
Less: Impairment on other receivables	(12,693)	(12,197)
Total	2,372,734	1,116,671

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

	As at 31 December	
	2015	2014
At beginning of the year	12,197	9,150
Impairment losses recognized	12,945	15,134
Amounts written off	(12,449)	(12,087)
At end of the year	12,693	12,197

29. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December	
	2015	2014
Non-current		
Analyzed by collateral type:		
Stocks	323,624	89,652
Analyzed by market of collateral:		
Stock exchanges	323,624	89,652



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29. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (Continued)

Current	As at 31 December	
	2015	2014
Analyzed by collateral type:		
Stocks	1,607,397	313,573
Bonds	19,859,668	7,001,600
	21,467,065	7,315,173
Analyzed by market of collateral:		
Stock exchanges	21,467,065	7,315,173

30. FINANCIAL ASSETS HELD FOR TRADING

	As at 31 December	
	2015	2014
Debt securities		
– government bonds	3,039,944	758,785
– financial bonds	8,233,160	464,167
– corporate bonds	10,441,720	2,627,887
Subtotal	21,714,824	3,850,839
Equity securities		
– issued by banks and other financial institutions	1,300	198,880
– issued by corporate entities	1,510,513	445,701
– issued by public utility entities	12,796	17,485
– issued by others	164	711
Subtotal	1,524,773	662,777
Funds	14,027,550	1,447,640
Total	37,267,147	5,961,256
Analyzed as:		
Listed in mainland, PRC	9,383,754	2,502,524
Unlisted	27,883,393	3,458,732
Total	37,267,147	5,961,256

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

	As at 31 December	
	2015	2014
Convertible bonds ⁽¹⁾		
– financial bonds	–	226,308
– corporate bonds	9,171	431,066
Subtotal	9,171	657,374
Equity securities ⁽²⁾		
– issued by banks and other financial institutions	268,363	172,867
– issued by corporate entities	879,603	247,023
– issued by public utility entities	51,029	10,406
– issued by others	3,856	1,503
Subtotal	1,202,851	431,799
Funds ⁽²⁾	400,309	201,674
Other investments	44,340	70,000
Total	1,656,671	1,360,847
Analyzed as:		
Listed in mainland, PRC	1,612,331	1,360,847
Unlisted	44,340	–

- (1) The convertible bonds held by the Group are hybrid instruments, which are designated as financial assets at fair value through profit or loss.
- (2) These equity securities and ETF are used for securities lending business which are designated as financial assets at fair value through profit or loss. As at 31 December 2015, the Group entered into securities lending arrangement with clients that resulted in the transfer of financial assets designated at fair value through profit or loss with a fair value of RMB1,002.49 million (2014: RMB353.29 million) to clients. These equity securities and ETF continued to be recognized as financial assets of the Group.



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32. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December			
	2015		2014	
	Asset	Liability	Asset	Liability
Swap ⁽¹⁾	23,536	341,279	–	24,081
Stock index futures ⁽²⁾	–	8,156	–	37,197
Less: settlement	–	(8,156)	–	(37,197)
Treasury bond futures ⁽²⁾	–	1,146	–	1,624
Less: settlement	–	(1,146)	–	(1,624)
Options	–	164	–	3
Total	23,536	341,443	–	24,084

(1) The equity return swaps are carried at fair values and the notional principal amounts of swaps as at 31 December 2015 were RMB1,086.09 million (2014: RMB54.56 million).

(2) Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures and treasury bond futures were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the net position of the stock index futures and treasury bond futures contracts was nil at the end of each reporting period.

33. CLEARING SETTLEMENT FUNDS

	As at 31 December	
	2015	2014
Clearing settlement funds held with clearing houses for:		
– House accounts	1,669,985	1,050,389
– Clients	21,589,567	30,209,981
	23,259,552	31,260,370

These clearing settlement funds are held by the clearing houses for the Group and these balances carry interest at prevailing market interest rates.

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34. BANK BALANCES

	As at 31 December	
	2015	2014
House accounts	8,685,714	7,654,093
Cash held on behalf of customers ⁽¹⁾	93,895,891	44,157,509
	102,581,605	51,811,602

Bank balances comprise time and demand deposits at bank which bear interest at the prevailing market rates.

- (1) The Group maintains bank accounts with banks to hold customers' deposits arising from normal business transactions. The Group has recognized the corresponding amount in accounts payable to brokerage clients (note 41).

35. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	As at 31 December	
	2015	2014
Bank balances – house accounts	6,745,429	6,453,498
Clearing settlement funds – house accounts	1,669,985	1,050,389
	8,415,414	7,503,887

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 2015, bank deposits with original maturity of more than three months held by the Group were RMB1,251.05 million (2014: RMB1,200.60 million) and bank deposits restricted for use were RMB698.23 million (2014: nil).



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36. SHARE CAPITAL

The Company's number of shares and nominal value are as follows:

	As at 31 December	
	2015	2014
Issued and fully paid ordinary shares of RMB1 each (in thousands)		
Domestic shares	5,846,274	5,846,274
H shares	3,690,985	1,690,985
	9,537,259	7,537,259
Share capital (in RMB'000)		
Domestic shares	5,846,274	5,846,274
H shares	3,690,985	1,690,985
	9,537,259	7,537,259

On 5 May 2015, the Company completed its placing of 2 billion H shares at a price of HKD11.99 per H share on the Hong Kong Stock Exchange.

37. RESERVES AND RETAINED PROFITS

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Investment revaluation reserve

Investment revaluation reserve represents the fair value changes of available-for-sale financial assets.

(c) Translation reserve

Translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries incorporated outside the PRC.



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37. RESERVES AND RETAINED PROFITS (Continued)

(d) General reserves

General reserves comprise of the statutory reserve, discretionary reserve, reserve for general risk and transaction risk reserve.

Pursuant to the Company Law of the PRC, in accordance with the Company's articles of association, 10% of the net profit of the Company, determined in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the share capital of the Company. The reserve appropriated can be used for expansion of production scale and capitalization. If the statutory reserve is capitalized into share capital, the remaining reserve is required to be not less than 25% of the Company's registered capital before capitalization.

The Company may also make appropriations from its net profit to the discretionary reserve provided the appropriation is approved by a resolution of the shareholders.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit before distribution, determined in accordance with PRC GAAP, to the reserve for general risk.

Pursuant to the Securities Law of the PRC, the Company is required to appropriate 10% of the net profit before distribution, determined in accordance with PRC GAAP, to the transaction risk reserve.

The Company's PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to the statutory reserve and the reserve for general risk.

Out of the Group's retained profits, RMB56.67 million as at 31 December 2015 (31 December 2014: RMB39.89 million) represents the Company's share of its subsidiaries' statutory reserve which cannot be used for profit distribution.

(e) Other reserves

Other reserves records the actuarial gains or losses arising from the remeasurement of defined benefit obligation.

(f) Distributable profits

In accordance with the relevant regulations, the distributable profits of the Company is deemed to be the lower of (i) the retained profits determined in accordance with PRC GAAP and (ii) the retained profits determined in accordance with IFRSs.



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38. BONDS PAYABLE

As at 31 December 2015 and 2014, bonds payable comprised of subordinated bonds and corporate bonds.

Details of the bonds issued by the Company are as follows:

Current

Issue date	Maturity date	Coupon rate	As at	As at
			31 December 2015 Par value	31 December 2014 Par value
5 December 2014	5 December 2016	5.30%	1,500,000	–
26 November 2014	26 November 2016	5.20%	1,500,000	–
15 December 2014	15 December 2016	6.30%	3,200,000	–
6 March 2015	6 March 2016	5.02%	2,630,000	–
24 March 2015	24 March 2016	5.40%	3,000,000	–
29 April 2015	29 April 2016	5.20%	2,000,000	–
15 June 2015	10 May 2016	4.65%	7,000,000	–
29 June 2015	29 June 2016	5.30%	2,000,000	–
2 September 2014	2 September 2015	5.60%	–	1,100,000
2 September 2014	4 March 2015	5.45%	–	1,300,000
17 September 2014	19 June 2015	5.55%	–	1,000,000
23 September 2014	23 September 2015	5.80%	–	1,700,000
26 December 2014	26 December 2015	6.50%	–	6,000,000
30 October 2014 ⁽¹⁾	30 October 2017	5.30%	–	4,000,000
26 November 2014 ⁽¹⁾	26 November 2017	5.10%	–	1,500,000
5 December 2014 ⁽¹⁾	5 December 2017	5.10%	–	1,500,000
15 December 2014 ⁽¹⁾	15 December 2017	6.00%	–	2,600,000
			22,830,000	20,700,000

Non-current

Issue date	Maturity date	Coupon rate	As at	As at
			31 December 2015 Par value	31 December 2014 Par value
30 January 2015	30 January 2017	5.80%	1,198,800	–
30 January 2015	30 January 2017	5.90%	2,800,000	–
10 April 2015	10 April 2017	5.80%	4,300,000	–
24 April 2015	24 April 2018	5.60%	5,800,000	–
8 May 2015	8 May 2017	5.70%	11,000,000	–
4 February 2015	4 February 2018	4.65%	1,472,125	–
4 February 2015	4 February 2020	4.80%	1,000,000	–
26 November 2014	26 November 2016	5.20%	–	1,500,000
5 December 2014	5 December 2016	5.30%	–	1,500,000
15 December 2014	15 December 2016	6.30%	–	3,200,000
			27,570,925	6,200,000

⁽¹⁾ The Company exercised its option and redeemed these subordinated bonds during the year.

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39. DUE TO BANKS AND A NON-BANK FINANCIAL INSTITUTION

	As at 31 December	
	2015	2014
Secured short-term bank loans ⁽¹⁾	1,190,515	306,882
Unsecured short-term bank loan ⁽²⁾	–	505,241
Placement from a non-bank financial institution ⁽³⁾	–	1,000,000
	1,190,515	1,812,123

⁽¹⁾ The short-term bank loans borrowed by the Group are secured by the listed shares in Hong Kong pledged to the Group as a security for advances to customers (with customers' consent) with a fair value of approximately RMB 1,190.51 million (31 December 2014: RMB1,222.96 million). The short-term bank loans bear interest at 1.49%-2.71% per annum (31 December 2014: 1.49%-1.74% per annum) and are repayable within 3 months.

⁽²⁾ The unsecured short-term bank loan was repaid during the year. As at 31 December 2014, the unsecured short-term bank loan bear interest at 1.69%-2.89% and are repayable within 3 months.

⁽³⁾ The placement obtained from CSFCL was repaid during the year. As at 31 December 2014, the placement obtained from CSFCL bear interest at 5.8% per annum and due within 182 days.

40. FINANCING INSTRUMENT PAYABLES

As at 31 December 2015, financing instrument payables are all beneficiary certificates issued by the Company in which current financing instrument payables bear interest at 5.30%-6.00% per annum (31 December 2014: 4.75%-7.00% per annum) and are repayable within one year, and non-current financing instrument payables bear interest at 5.45% per annum (31 December 2014: nil) and are repayable in more than one year.

41. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value to the readers of these consolidated financial statements in view of the nature of these businesses.

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group and are interest bearing at the prevailing market interest rate.

As at 31 December 2015, included in the Group's accounts payable to brokerage clients were approximately RMB14,497.46 million (2014: RMB6,005.51 million) of cash collateral received from clients for margin financing and securities lending arrangement.



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42. ACCRUED STAFF COSTS

	As at 31 December	
	2015	2014
Salaries, bonus and allowances	5,193,521	2,622,697
Social welfare	7,777	5,242
Annuity schemes	15,666	8,700
Supplementary retirement benefits (note 1)	209,082	203,301
Early retirement benefits (note 2)	23,046	36,070
Others	94,703	56,664
	5,543,795	2,932,674

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 2015 and 2014 were carried out by Mercer Consulting (China) Ltd.

Movements in the present value of supplementary retirement benefits are as follows:

	Year ended 31 December	
	2015	2014
Beginning of the year	203,301	156,959
Interest on obligation	7,919	7,643
Benefit paid	(10,678)	(8,201)
Actuarial losses recognized	8,540	46,900
End of the year	209,082	203,301

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42. 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 2015 %	31 December 2014 %
Discount rates of supplementary retirement benefits	3.40	4.00
Expected rates of benefits increase	4.00	4.00
Mortality rates	According to the China Life Insurance Mortality Table (published historical statistics in China)	

Amounts recognized in profit or loss and other comprehensive income in respect of the defined benefit plan are as follows:

	Year ended 31 December	
	2015	2014
Service cost:		
Current service cost	–	–
Net interest expense	7,919	7,643
Components of defined benefit costs recognized in profit or loss	7,919	7,643
Remeasurement on the net defined benefit liability:		
Actuarial losses arising from changes in assumptions	16,327	25,145
Actuarial (gains)/losses arising from experience adjustments	(7,787)	21,755
Components of defined benefit costs recognized in other comprehensive income	8,540	46,900

note 2: During the year ended 31 December 2015, the Group recognized RMB1.82 million (2014: RMB4.93 million) as staff costs and paid out RMB14.84 million (2014: RMB17.01 million) in respect of the early retirement benefits.



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43. OTHER PAYABLES AND ACCRUALS

Current	As at 31 December	
	2015	2014
Third-party interests in consolidated structured entities	891,382	313,929
Business taxes and other taxes	447,252	223,114
IPO expenses payable	51,964	56,522
Customer deposits held for swap transactions	339,777	10,938
Accrued expense	90,568	68,784
Payables to margin client (note 54)	752,509	380,997
Payables to clearing house (note 54)	20,687	63,233
Sundry payables	57,014	54,649
Payable for the securities investor protection fund	76,029	41,508
Interest payable	2,247,520	376,496
Others	767,060	311,016
	5,741,762	1,901,186

Non-current	As at 31 December	
	2015	2014
Third-party interests in consolidated structured entities	2,529,493	200,000
Interest payable	260,691	–
	2,790,184	200,000

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44. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Current	As at 31 December	
	2015	2014
Analyzed by collateral type:		
Bonds	15,770,815	10,057,505
Rights and interests in margin loans	26,675,000	20,107,420
Funds	2,407,105	–
	44,852,920	30,164,925
Analyzed by market of collateral:		
Stock exchanges	15,797,624	9,143,310
Interbank bond market	2,380,296	914,195
Over the counter	26,675,000	20,107,420
	44,852,920	30,164,925
Non-current	As at 31 December	
	2015	2014
Analyzed by collateral type:		
Rights and interests in margin loans	–	2,575,000
Analyzed by market of collateral:		
Over the counter	–	2,575,000

Note: Although the Group is allowed to sell or repledge these debt securities during the covered period, the Group has the obligations to return these debt securities to the banks at specified future dates and the maximum covered period is 8 days. As at 31 December 2015, the Group borrowed debt securities with a fair value of RMB0.42 billion (2014: RMB0.48 billion) from the banks and pledged debt securities classified as financial assets held for trading with a fair value of RMB0.33 billion (2014: RMB0.34 billion) as collaterals under the securities borrowing agreements. These debt securities borrowed by the Group have all been used as collaterals under repurchase agreements with counterparties as at 31 December 2015 and the amounts repayable under the securities borrowing agreements are presented as financial assets sold under repurchase agreements.

45. INTERESTS IN STRUCTURED ENTITIES

(a) Structured entities set up and managed by the Group

Structured entities consolidated by the Group stand for the collective asset management schemes where the Group involves as investment manager or investment consultant and also as investor. The Group considers the scope of its decision-making authority and assesses whether the combination of investments it holds together with its remuneration and credit enhancements creates exposure to variability of returns from the activities of the collective asset management schemes to a level of such significance that it indicates that the Group is a principal.

As at 31 December 2015, the total assets of the consolidated collective asset management schemes are RMB4,051 million (2014: nil) and the carrying amount of third party interests in consolidated structured entities in the consolidated collective asset management schemes are RMB2,895 million (2014: nil).



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45. INTERESTS IN STRUCTURED ENTITIES (Continued)

(a) Structured entities set up and managed by the Group (Continued)

The Group also has interests in unconsolidated collective asset management schemes which the remuneration of the Group is commensurate with the services provided and the variable returns the Group exposed to are not considered significant. The Group therefore considers such decision-making rights is acting as an agent for the investors and hence did not consolidate these structured entities.

The size of unconsolidated collective asset management schemes managed by the Group amounted to RMB29,050.99 million as at 31 December 2015 (2014: RMB11,053.31 million).

During the year, the amount of management fee income and investment gains from the unconsolidated collective asset management schemes managed by the Group amounted to RMB419.32 million as at 31 December 2015 (2014: RMB72.03 million).

(b) Structured entities set up and managed by third party institutions in which the Group holds an interest

The types of structured entities that the Group does not consolidate but in which it holds an interest include funds, asset management schemes, trust schemes and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities as at 31 December 2015 and 31 December 2014, which are listed as below:

	As at 31 December 2015		
	Available- for-sale financial assets	Financial assets at fair value through profit or loss	Total
Carrying amount of interests held by the Group			
– Funds	3,274,104	14,427,859	17,701,963
– Trust schemes and wealth management products	3,310,675	–	3,310,675
Total	6,584,779	14,427,859	21,012,638
	As at 31 December 2014		
	Available- for-sale financial assets	Financial assets at fair value through profit or loss	Total
Carrying amount of interests held by the Group			
– Funds	11,588	1,649,314	1,660,902
– Trust schemes and wealth management products	1,515,211	–	1,515,211
Total	1,526,799	1,649,314	3,176,113

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(Amounts in thousands of Renminbi, unless otherwise stated)

46. TRANSFERRED FINANCIAL ASSETS

In the normal course of business, the Group enters into certain transactions in which it transfers recognized financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognizes all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards on these assets, the Group continues to recognize these assets.

Repurchase agreements

As at 31 December 2015, the Group entered into repurchase agreements with certain counterparties to sell debt securities classified as financial assets held for trading with carrying amount of RMB6.58 billion (2014: RMB2.07 billion); debt securities and listed funds classified as available-for-sale financial assets with carrying amount of RMB13.48 billion (2014: RMB8.23 billion); debt securities classified as financial assets at fair value through profit or loss with carrying amount of RMB nil (2014: RMB0.63 billion); and rights and interests in margin loans classified as advances to customers with carrying amount of RMB32.43 billion (31 December 2014: RMB28.03 billion).

Sales and repurchase agreements are transactions in which the Group sells a security or rights and interests in a margin loan and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities and rights and interests in margin loans sold. These securities and margin loans are not derecognized from the consolidated financial statements but regarded as “collateral” for the liabilities because the Group retain substantially all the risks and rewards of these securities and rights and interests in margin loans.

The proceeds from selling such securities are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred securities during the term of the arrangements and the transferred rights and interests in margin loans.

The following tables provide a summary of carrying amounts and fair values related to the transferred financial assets that are not derecognized in their entirety and the associated liabilities:

As at 31 December 2015	Financial assets designated at				Total
	Financial assets held for trading	fair value through profit and loss	Available-for-sale financial assets	Advances to customers	
Carrying amount of transferred assets	6,576,662	–	13,481,369	32,431,945	52,489,976
Carrying amount of associated liabilities	(5,960,208)	–	(12,217,712)	(26,675,000)	(44,852,920)
Net position	616,454	–	1,263,657	5,756,945	7,637,056

As at 31 December 2014	Financial assets designated at				Total
	Financial assets held for trading	fair value through profit and loss	Available-for-sale financial assets	Advances to customers	
Carrying amount of transferred assets	2,073,563	626,045	8,233,885	28,034,031	38,967,524
Carrying amount of associated liabilities	(1,892,138)	(576,967)	(7,588,400)	(22,682,420)	(32,739,925)
Net position	181,425	49,078	645,485	5,351,611	6,227,599



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46. TRANSFERRED FINANCIAL ASSETS (Continued)

Securities lending arrangement

The Group 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 at fair value through profit or loss with carrying amount totalling RMB1,012.41 million as at 31 December 2015 (2014: RMB391.69 million), which are secured by client's securities and deposits held as collateral. As stipulated in the securities lending agreements, the legal ownership of these equity securities and 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 at specified future dates and the maximum covered period is 180 days. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized these securities in the consolidated financial statements.

47. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 December 2015 and 2014, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

	As at 31 December	
	2015	2014
Within 1 year	416,840	376,506
Beyond 1 year and not more than 2 years	259,245	328,354
Beyond 2 years and not more than 3 years	200,958	188,412
Beyond 3 years and not more than 5 years	193,291	220,668
More than 5 years	205,235	232,077
	1,275,569	1,346,017

Lease of rented premises are negotiated with fixed lease term for 1 to 15 years.

The Group as lessor

At 31 December 2015 and 2014, the Group did not have material lease commitments as lessor.

48. CAPITAL COMMITMENTS

	As at 31 December	
	2015	2014
Contracted but not provided for Leasehold improvements	9,570	16,032

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49. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

For the year ended 31 December 2015

Name	Fee	Salaries and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive Directors:					
Chen Youan ⁽²⁾	–	1,206	61	1,987	3,254
Gu Weiguo	–	1,147	61	1,887	3,095
Wu Chengming	–	1,777	59	3,026	4,862
Non-executive Directors:					
Li Chenghui ⁽¹⁾⁽⁵⁾	–	–	–	–	–
Shi Xun ⁽¹⁾	–	–	–	–	–
Xu Guoping ⁽¹⁾⁽⁵⁾	–	–	–	–	–
Du Ping ⁽¹⁾⁽³⁾	–	–	–	–	–
Li Chaoyang ⁽³⁾	–	655	911	4,507	6,073
Zhang Jinghua ⁽¹⁾⁽³⁾	–	–	–	–	–
Qi Xiaoli ⁽⁵⁾	–	628	–	1,956	2,584
Independent Non-executive Directors:					
Liu Feng	290	8	–	–	298
Wang Shiding ⁽⁵⁾	130	8	–	–	138
Zhou Ruijin ⁽⁵⁾	120	8	–	–	128
Wu Yuwu	240	8	–	–	248
Luo Lin ⁽³⁾	130	–	–	–	130
Chi Fulin ⁽³⁾	120	–	–	–	120
Supervisors:					
Yu Wenxiu	–	1,136	59	1,848	3,043
Zhong Cheng	–	837	65	1,328	2,230
Liu Zhiyi	–	724	84	1,891	2,699
Gu Shulin ⁽⁶⁾	–	801	–	1,839	2,640
Chen Jijiang ⁽⁴⁾	–	724	83	1,671	2,478
Feng Heping ⁽⁴⁾	60	–	–	–	60
Wu Huanliang ⁽⁶⁾	60	7	–	–	67
	1,150	9,674	1,383	21,940	34,147



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(Amounts in thousands of Renminbi, unless otherwise stated)

49. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

- (1) The emoluments of these non-executive directors of the Company were borne or partially borne by its shareholders and other related parties including Galaxy Financial Holdings, Central Huijin Investment Ltd. ("Central Huijin") and China Galaxy Investment Management Company Limited. No allocation of the emoluments between these related parties and the Group has been made.
- (2) Appointed as executive director on 29 June 2015.
- (3) Appointed as non-executive director on 29 June 2015.
- (4) Appointed as supervisor on 29 June 2015.
- (5) Resigned as non-executive director on 29 June 2015.
- (6) Resigned as supervisor on 29 June 2015.

The executive and non-executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

The supervisors' emoluments shown above were mainly for their services as supervisors of the Company.

Pursuant to the PRC relevant regulations, a portion of the performance-based bonus for certain executive directors, non-executive directors and supervisors are deferred for a minimum of 3 years contingent upon the future performance.

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49. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the year ended 31 December 2014

Name	Fee	Salaries and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive Directors:					
Gu Weiguo	–	1,193	48	1,973	3,214
Wu Chengming	–	1,709	47	1,450	3,206
Non-executive Directors:					
Chen Youan	–	1,209	48	1,987	3,244
Li Chenghui ⁽¹⁾	–	–	–	–	–
Shi Xun ⁽¹⁾	–	–	–	–	–
Xu Guoping ⁽¹⁾	–	–	–	–	–
Qi Xiaoli	–	737	29	657	1,423
Independent Non-executive Directors:					
Liu Feng	290	10	–	–	300
Wang Shiding	260	10	–	–	270
Zhou Ruijin	240	10	–	–	250
Wu Yuwu	240	10	–	–	250
Supervisors:					
Yu Wenxiu	–	1,170	47	1,907	3,124
Zhong Cheng	–	693	50	671	1,414
Liu Zhiyi	–	683	77	788	1,548
Gu Shulin	–	755	29	626	1,410
Wu Huanliang	120	9	–	–	129
	1,150	8,198	375	10,059	19,782

(1) The emoluments of these non-executive directors of the Company were borne or partially borne by its shareholders and other related parties including Galaxy Financial Holdings, Central Huijin Investment Ltd. ("Central Huijin"), and China Galaxy Investment Management Company Limited during the year ended 31 December 2014. No allocation of the emoluments between these related parties and the Group had been made during the year ended 31 December 2014.

As of the announcement date of these consolidated financial statements, the above compensation packages including performance-based bonus for executive directors, non-executive directors and supervisors for the years ended 31 December 2015 and 31 December 2014 have not been finalized. Management of the Group believes that the difference between the final emoluments and that disclosed above will not have significant impact on the consolidated financial statements of the Group.

For the years ended 31 December 2015 and 2014, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.



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(Amounts in thousands of Renminbi, unless otherwise stated)

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	
	2015	2014
Basic salaries and allowances	5,892	3,287
Bonuses	41,587	39,227
Employer's contribution to pension schemes	416	371
	47,895	42,885

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 2014 and 2015.

The emoluments of the highest-paid individuals of the Group fall within the following bands:

	Year ended 31 December	
	2015 No. of employees	2014 No. of employees
Emolument bands		
– HKD8,500,001 to HKD9,000,000	1	-
– HKD9,000,001 to HKD9,500,000	1	1
– HKD9,500,001 to HKD10,000,000	-	2
– HKD11,000,001 to HKD11,500,000	1	-
– HKD11,500,001 to HKD12,000,000	1	-
– HKD12,000,001 to HKD12,500,000	-	1
– HKD12,500,001 to HKD13,000,000	-	1
– HKD17,500,001 to HKD18,000,001	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 (2014: 5,217,743,240 shares), representing 54.71% of the entire equity interest of the Company as at 31 December 2015 (2014: 69.23%). Galaxy Financial Holdings' shareholders are Central Huijin with 78.57% equity interest and the Ministry of Finance (the "MOF") with 21.43% equity interest.

Central Huijin is a wholly-owned subsidiary of China Investment Corporation Limited, and is incorporated in Beijing, PRC. Central Huijin was established to hold certain equity investments as authorized by the State Council and does not engage in other commercial activities. Central Huijin exercises legal rights and obligations in the Group on behalf of the PRC Government.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies.

During the years of 2015 and 2014, 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	
	2015	2014
Accounts payable to brokerage clients	56,192	2,759
Commission and fee income	2,879	374
Interest expense	1,421	339

In addition to the above related party transactions, the Group also provided asset management services to Galaxy Financial Holdings. As at 31 December 2015, the Group did not manage any investments for Galaxy Financial Holdings as Galaxy Financial Holdings redeemed all its investments during the year (31 December 2014: RMB50.30 million).



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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 under the direction of the Chinese government (collectively referred to as the “Central Huijin Group”). The Group enters into transactions with Central Huijin Group under normal commercial terms. Such transactions mainly include deposits at banks, securities and futures dealing and broking, underwriting of equity and debt securities, and purchase and sale of equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group.

The Group’s transactions with Central Huijin Group

	Year ended 31 December	
	2015	2014
Commission and fee income	93,910	11,361
Interest income from banks and non-bank financial institutions within the Central Huijin Group	1,783,460	550,792
Investment gains of equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group	21,214	28,332
Interest expenses to brokerage clients within the Central Huijin Group	67,853	13,671
Other operating expenses	1,465	1,554

The Group’s balances with Central Huijin Group

	As at 31 December	
	2015	2014
Equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group classified as		
– available-for-sale financial assets	1,053,964	–
– financial assets held for trading	698,656	488,374
– financial assets designated at fair value through profit or loss	23,507	14,615
Bank balances deposited with banks within the Central Huijin Group	54,880,151	30,617,616
Accounts payable to brokerage clients within the Central Huijin Group	1,000	8,195
Other payables and accruals	1,008	765
Financial assets held under resale agreements	2,000,000	480,000

As at 31 December 2015, a non-bank financial institution within the Central Huijin Group invested in collective asset management schemes issued by the Group with a fair value of RMB54.99 million (2014: RMB53.24 million).

As at 31 December 2015, a bank within the Central Huijin Group invested in targeted asset management schemes issued by the Group with a fair value of RMB1,831.70 million (31 December 2014: nil).

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(Amounts in thousands of Renminbi, unless otherwise stated)

51. RELATED PARTY TRANSACTIONS (Continued)

(3) Transactions with other government-related entities in the PRC

Other than disclosed above, a significant portion of the Group's transactions are entered into with government related entities including securities and futures dealing and broking, underwriting of debt securities, 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
Galaxy Fund Management Company Limited ("Galaxy Fund Management")* (銀河基金管理有限公司)	fellow subsidiary
Galaxy Capital Asset Management Limited ("Galaxy Assets Management")* (銀河資本資產管理有限公司)	fellow subsidiary
China Galaxy Investment Management Company Limited ("Galaxy Investment")* (銀河投資管理有限公司)	Note 1
Bank of Tianjin Co., Ltd. ("Bank of Tianjin") (天津銀行股份有限公司)	Note 2

Note 1: Galaxy Investment ceased to be a related party of the Group on 29 June 2015 when Mr. Xu Guoping, the chairman of Galaxy Investment, resigned as director of the Company on the date.

Note 2: Mr Feng Heping serves as the independent non-executive director of Bank of Tianjin and also as supervisor of the Company from 29 June 2015.

* These subsidiaries do not have official English names.

The Group's transactions with other related parties

Commission and fee income

	Year ended 31 December	
	2015	2014
Galaxy Fund Management	82,989	8,350
Galaxy Assets Management	157,569	9,587



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51. RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties (Continued)

The Group's transactions with other related parties (Continued)

Interest expenses

	Year ended 31 December	
	2015	2014
Galaxy Assets Management	8,891	–
Bank of Tianjin	4,097	–

Other income

	Year ended 31 December	
	2015	2014
Galaxy Investment	1,693	1,693

Other operating expenses

	Year ended 31 December	
	2015	2014
Galaxy Investment	97,180	90,323
Galaxy Fund Management	1,397	–

For the years ended 31 December 2015 and 2014, other operating expenses between the Group and Galaxy Investment solely related to the leasing of premises owned by Galaxy Investment.

The Group's balances with other related parties

Accounts payable to brokerage clients

	As at 31 December	
	2015	2014
Galaxy Investment	21,146	1,705
Galaxy Assets Management	1,440,696	–

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51. RELATED PARTY TRANSACTIONS (Continued)

(4) Other related parties (Continued)

The Group's balances with other related parties (Continued)

Accounts receivable

	As at 31 December	
	2015	2014
Galaxy Fund Management	13,222	–
Galaxy Assets Management	15,560	–

The Group's lease commitments with Galaxy Investment

	As at 31 December	
	2015	2014
The Group as lessee		
Within 1 year	107,843	90,035
Beyond 1 year and not more than 2 years	4,828	1,940
Beyond 2 years and not more than 3 years	3,951	–
	116,622	91,975

(5) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and other members of senior management.

The key management compensation for the years ended 31 December 2015 and 2014 comprises:

	Year ended 31 December	
	2015	2014
Salaries, allowances, bonuses, social welfare and annuity scheme contribution	67,142	47,414

The key management personnel's final compensation packages for the years ended 31 December 2015 and 2014 have not yet been finalized in accordance with regulations of the PRC relevant authorities. Management of the Group believes that the difference between the final emoluments and that disclosed above will not have significant impact on the consolidated financial statements of the Group.

During the year, key management personnel invested in a collective asset management scheme set up and managed by Galaxy Jinhui, a subsidiary of the Company, amounted to RMB45.97 million (2014: nil).



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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 2015 and 2014.

The operating and reportable segment information provided to the CODM for the years ended 31 December 2015 and 2014 is as follows:

	Securities brokerage	Futures brokerage	Proprietary trading and other securities trading services	Investment banking management	Asset management	Private equity investment	Overseas business	Others	Segment total	Eliminations	Consolidated total
For the year ended 31 December 2015											
Segment revenue and results											
Revenue											
– External	25,246,756	866,027	4,695,597	822,073	470,823	121,756	412,475	822,997	33,458,504	–	33,458,504
– Inter-segment	290,401	1,555	–	–	48,063	–	10,480	88,780	439,279	(439,279)	–
Other income and gains	36,933	6,297	50	–	5,000	3	3,402	249,085	300,770	–	300,770
Segment revenue and other income	25,574,090	873,879	4,695,647	822,073	523,886	121,759	426,357	1,160,862	34,198,553	(439,279)	33,759,274
Segment expenses	(15,430,779)	(565,828)	(1,922,695)	(561,288)	(437,962)	(61,590)	(271,113)	(1,675,391)	(20,926,646)	301,343	(20,625,303)
Segment result	10,143,311	308,051	2,772,952	260,785	85,924	60,169	155,244	(514,529)	13,271,907	(137,936)	13,133,971
As at 31 December 2015											
Segment assets and liabilities											
Segment assets	194,664,924	13,030,470	78,126,704	2,441,694	4,971,268	1,551,627	4,575,518	128,587,822	427,950,027	(127,425,493)	300,524,534
Deferred tax assets											131,017
Group's total assets											300,655,551
Segment liabilities	179,965,735	11,398,945	74,813,763	1,733,968	4,316,166	563,165	3,549,084	94,496,851	370,837,677	(127,431,542)	243,406,135
Other segment information											
Depreciation and amortization	125,273	17,970	1,495	1,566	1,623	54	3,263	33,252	184,496	–	184,496
Impairment losses	104,881	–	1,513	5,314	1,247	30,000	–	(1,311)	141,644	–	141,644
Additions to non-current assets	101,984	19,474	–	–	1,403	9	6,329	140,756	269,955	–	269,955

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52. SEGMENT REPORTING (Continued)

	Securities brokerage	Futures brokerage	Proprietary trading and other securities services	Investment banking	Asset management	Private equity investment	Overseas business	Others	Segment total	Eliminations	Consolidated total
For the year ended 31 December 2014											
Segment revenue and results											
Revenue											
- External	9,256,199	672,580	1,402,028	1,015,583	197,430	76,254	255,513	94,056	12,969,643	-	12,969,643
- Inter-segment	103,089	1,104	-	9,179	-	-	-	103,637	217,009	(217,009)	-
Other income and gains	32,378	9,924	-	880	-	3	245	3,487	46,917	-	46,917
Segment revenue and other income	9,391,666	683,608	1,402,028	1,025,642	197,430	76,257	255,758	201,180	13,233,569	(217,009)	13,016,560
Segment expenses	(5,256,767)	(498,117)	(671,368)	(737,701)	(158,853)	(55,908)	(206,038)	(542,225)	(8,126,977)	113,371	(8,013,606)
Segment result	4,134,899	185,491	730,660	287,941	38,577	20,349	49,720	(341,045)	5,106,592	(103,638)	5,002,954
Share of result of an associate	-	-	-	-	-	-	-	345	345	-	345
Profit/(loss) before income tax	4,134,899	185,491	730,660	287,941	38,577	20,349	49,720	(340,700)	5,106,937	(103,638)	5,003,299
As at 31 December 2014											
Segment assets and liabilities											
Segment assets	136,927,113	14,003,815	24,430,553	988,030	868,611	1,414,873	2,817,295	74,771,047	256,221,337	(76,543,280)	179,678,057
Deferred tax assets											347,650
Group's total assets											180,025,707
Segment liabilities	131,058,089	12,519,060	24,314,342	197,807	248,739	534,513	1,979,785	56,380,732	227,233,067	(76,543,280)	150,689,787
Other segment information											
Depreciation and amortization	129,256	13,837	1,074	1,576	2,417	78	5,830	33,172	187,240	-	187,240
Impairment losses	15,712	-	(291)	(5)	13,136	10,000	-	2,067	40,619	-	40,619
Additions to non-current assets	118,266	20,345	-	-	3,924	19	1,836	43,452	187,842	-	187,842

53. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December	
	2015	2014
Financial assets		
Loans and receivables	228,262,199	159,619,282
Available-for-sale financial assets	32,125,186	11,583,535
Financial assets held for trading	37,267,147	5,961,256
Financial assets designated at fair value through profit or loss	1,656,671	1,360,847
Derivative financial assets	23,536	-
Financial liabilities		
Financial liabilities at amortized cost	233,869,746	146,963,220
Financial liabilities at fair value	392,482	24,084

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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 2015						
Type of financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position		Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
	Gross amounts of recognized financial assets	consolidated statement of financial position		Financial instruments*	Cash collateral received	
Advances to customers ⁽¹⁾	1,877,644	(119,826)	1,757,818	(1,750,272)	-	7,546
Accounts receivable from clearing house ⁽²⁾	243,205	(163,110)	80,095	-	-	80,095
Total	2,120,849	(282,936)	1,837,913	(1,750,272)	-	87,641

As at 31 December 2014						
Type of financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position		Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
	Gross amounts of recognized financial assets	consolidated statement of financial position		Financial instruments*	Cash collateral received	
Advances to customers ⁽¹⁾	1,103,100	(69,742)	1,033,358	(1,007,280)	-	26,078
Accounts receivable from clearing house ⁽²⁾	37,174	(11,721)	25,453	-	-	25,453
Total	1,140,274	(81,463)	1,058,811	(1,007,280)	-	51,531

* These represents market values of shares pledged by customers.

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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 2015						
Type of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
Accounts payable to						
– margin clients ⁽¹⁾	872,335	(119,826)	752,509	–	–	752,509
– clearing house ⁽²⁾	183,798	(163,110)	20,687	–	(14,741)	5,946
Total	1,056,133	(282,936)	773,196	–	(14,741)	758,455

As at 31 December 2014						
Type of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
Accounts payable to						
– margin clients ⁽¹⁾	450,739	(69,742)	380,997	–	–	380,997
– clearing house ⁽²⁾	74,954	(11,721)	63,233	–	(9,410)	53,823
Total	525,693	(81,463)	444,230	–	(9,410)	434,820

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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 (Continued)

Notes:

- ⁽¹⁾ Under the agreements signed between the Group and the customers, money obligations receivables and payables with the same customers on the same settlement date are settled on net basis.
- ⁽²⁾ Under the continuous net settlement, money obligations receivables and payables with Hong Kong Securities Clearing Company Limited and other brokers 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 line item presented in the consolidated statement of financial position.

	As at 31 December	
	2015	2014
Advances to customers		
Net amount of advances to customers as stated above	1,757,818	1,033,358
Amount not in scope of offsetting disclosures	68,380,359	60,409,299
Total amount of advances to customers as stated in note 26	70,138,177	61,442,657



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55. FINANCIAL RISK MANAGEMENT

Overview

The objective of the Group's risk management is to achieve an appropriate balance between risk and return, and reduce the negative impact on the Group's operating results and maximize shareholder value. The Group's risk management strategy is to identify and analyze the various risks faced by the Group, establish appropriate risk tolerance, and reliably measure and monitor the risks on a timely and effective manner to ensure the risks are controlled within the tolerance level.

In daily operation, the Group is mainly exposed to credit risk, market risk and liquidity risk. The Group has 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 risk management strategies, risk principles and risk regulations, and developing the Group'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 continues to enhance their risk management, ensuring risks are measurable, controllable and acceptable.

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55. FINANCIAL RISK MANAGEMENT (Continued)

55.1 Credit risk

Credit risk is the risk of loss due to failures or inability to fulfil obligations by counterparties, or the downgrade of credit rating of them. The Group's credit exposure mainly relates to fixed income financial assets, financial assets under margin financing and securities lending arrangement and the Group's securities and futures brokerage business. The Group's financial assets exposed to credit risk mainly include advances to customers, accounts receivable, other financial assets, loan investment, available-for-sale financial assets, financial assets held under resale agreements, financial assets held for trading, financial assets designated at fair value through profit or loss, deposits with exchanges and a non-bank financial institution, clearing settlement funds and bank balances.

Fixed income financial assets include bank balances, clearing settlement funds, loan investment and debt securities. Credit risk mainly includes counterparty risk and securities issuer's default risk.

Bank balances of the Group are mainly deposited in state-owned commercial banks or joint-stock commercial banks with good credit rating, and clearing settlement funds are deposited with the China Securities Depository and Clearing Corporation Limited (the "CSDCC"). 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 invests strictly in bonds with rating of AA- or above. Therefore, the Group considers the credit exposure of proprietary trading business is not significant.

Margin trading assets consist of advances to customers and securities lent to customers. The main credit risk of these financial assets is customers' failure to repay the principal, interests or securities lent to them. The Group monitors margin trading clients' accounts on an individual customer basis and call for additional margin deposits, cash collateral or securities 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 2015 and 2014, the collateral ratios of most of the Group's margin clients were above 130%, respectively, which indicated the collateral value was sufficient to cover the exposure to credit risk arising from margin trading.

The credit risk of the Group also arises from their securities and futures brokerage business. In the case of customers failing to deposit adequate funds, the Group may have to complete the trade settlement using their own funds. To mitigate the credit risk, the Group requires cash deposit of full amounts for all transactions before they settle on behalf of customers. Through this, the Group can assure the credit risk is appropriately managed.



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(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

55.1 Credit risk (Continued)

Taking no account of collateral or other credit enhancements, the maximum credit exposure is the carrying amount of financial assets, which is net of impairment allowance. The maximum credit risk exposure of the Group is as follows:

	As at 31 December	
	2015	2014
Advances to customers	70,138,177	61,442,657
Accounts receivable	764,030	458,257
Other financial assets	2,220,083	941,556
Investments classified as loans and receivables	3,119,100	250,000
Available-for-sale financial assets ⁽¹⁾	13,766,804	9,046,711
Including: Securities lent to customers	9,920	38,401
Financial assets held under resale agreements	21,790,689	7,404,825
Financial assets held for trading ⁽¹⁾	21,714,824	3,850,839
Financial assets designated at fair value through profit or loss ⁽¹⁾	1,011,666	1,010,663
Including: Securities lent to customers	1,002,495	353,289
Derivative financial assets	23,536	–
Deposits with exchanges and a non-bank financial institution	4,388,963	6,050,015
Clearing settlement funds	23,259,552	31,260,370
Bank balances	102,581,605	51,811,602
	264,779,024	173,527,495

⁽¹⁾ Financial assets held for trading contains only debt securities. Available-for-sale financial assets and financial assets designated at fair value through profit or loss contain debt securities, trust schemes 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 utilizes 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 mainly comprise corporate bonds, and the Group mitigates 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 interest-bearing financial assets and liabilities by their remaining terms to repricing or contractual maturity date, whichever is earlier. Other financial assets and liabilities not included below are not exposed to significant interest rate risk.

As at 31 December 2015

	Less than 1 year	More than 1 but less than 3 years	More than 3 but less than 5 years	More than 5 years	Total
Financial assets					
Advances to customers	70,138,177	-	-	-	70,138,177
Investments classified as loans and receivables	3,119,100				3,119,100
Available-for-sale debt securities	1,582,491	2,083,724	3,098,870	6,991,799	13,756,884
Financial assets held under resale agreements	21,465,553	325,136	-	-	21,790,689
Financial assets held for trading	11,926,533	2,859,386	4,549,090	2,379,815	21,714,824
Financial assets designated at fair value through profit or loss	-		2,005	7,166	9,171
Clearing settlement funds	23,259,552	-	-	-	23,259,552
Bank balances	102,581,605	-	-	-	102,581,605
Subtotal	234,073,011	5,268,246	7,649,965	9,378,780	256,370,002
Financial liabilities					
Bonds payable	22,830,000	26,570,925	1,000,000	-	50,400,925
Due to banks and a non-bank financial institution	1,190,515	-	-	-	1,190,515
Financing instrument payables	13,867,870				13,867,870
Accounts payable to brokerage clients	117,992,209	-	-	-	117,992,209
Financial liabilities held for trading	51,039	-	-	-	51,039
Financial assets sold under repurchase agreements	44,852,920	-	-	-	44,852,920
Subtotal	200,784,553	26,570,925	1,000,000	-	228,355,478
Net interest-bearing position	33,288,458	(21,302,679)	6,649,965	9,378,780	28,014,524



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55. FINANCIAL RISK MANAGEMENT (Continued)

55.2 Market risk (Continued)

Interest rate risk (Continued)

As at 31 December 2014

	Less than 1 year	More than 1 but less than 3 years	More than 3 but less than 5 years	More than 5 years	Total
Financial assets					
Advances to customers	61,442,657	–	–	–	61,442,657
Investments classified as loans and receivables	–	250,000	–	–	250,000
Available-for-sale debt securities	150,638	1,336,169	2,550,218	4,971,285	9,008,310
Financial assets held under resale agreements	7,315,173	89,652	–	–	7,404,825
Financial assets held for trading	1,060,040	864,696	582,651	1,343,452	3,850,839
Financial assets designated at fair value through profit or loss	–	451,803	2,232	203,339	657,374
Clearing settlement funds	31,260,370	–	–	–	31,260,370
Bank balances	51,811,602	–	–	–	51,811,602
Subtotal	153,040,480	2,992,320	3,135,101	6,518,076	165,685,977
Financial liabilities					
Bonds payable	20,700,000	6,200,000	–	–	26,900,000
Due to banks and a non-bank financial institution	1,812,123	–	–	–	1,812,123
Financing instrument payables	5,417,910	–	–	–	5,417,910
Accounts payable to brokerage clients	78,407,509	–	–	–	78,407,509
Financial assets sold under repurchase agreements	30,164,925	2,575,000	–	–	32,739,925
Subtotal	136,502,467	8,775,000	–	–	145,277,467
Net interest-bearing position	16,538,013	(5,782,680)	3,135,101	6,518,076	20,408,510

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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.

	Year ended 31 December	
	2015	2014
Profit before income tax for the year		
Increase by 100 basis points	(240,955)	(45,452)
Decrease by 100 basis points	240,955	45,452
	Year ended 31 December	
	2015	2014
Other comprehensive income before income tax		
Increase by 100 basis points	(465,189)	(364,518)
Decrease by 100 basis points	465,189	364,518



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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 currency risk primarily relates to the Group's operating activities whose settlements and payments are denominated in foreign currencies which are different from the respective group entity's functional currency.

The foreign currency assets and liabilities held by the Group are not material compared to the total assets and liabilities. In terms of the Group's revenue structure, a majority of the business transactions are denominated in RMB, and the proportion of foreign currency transactions is not significant to the Group. The Group considers that the currency risk of the Group's operations is immaterial due to the relatively low proportion of the Group's foreign currency denominated assets, liabilities, income and expense, as compared to the Group's total assets, liabilities, income and expenses. Hence, no further analysis is presented.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to investments in equity securities, funds, convertible bonds, derivatives and collective asset management schemes whose values will fluctuate as a result of changes in market prices. Most of these investments are invested in the capital markets in China. The Group is subject to increased market risk largely because the stock markets in the PRC are relatively volatile.

The Group's price risk management policy requires setting and managing investment objectives. The directors of the Company manage price risk by holding an appropriately diversified investment portfolio, setting limits for investments in different securities and closely monitoring the portfolio of investments to reduce the risk of concentration in any one specific industry or issuer. The Group uses derivatives contracts to economically hedge against the exposure arising from its investment portfolio.

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(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

55.2 Market risk (Continued)

Price risk (Continued)

Sensitivity analysis

The analysis below is performed to show the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of equity securities, funds, convertible bonds, derivatives and collective asset management schemes by 10% with all other variables held constant. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax or vice versa.

	Year ended 31 December	
	2015	2014
Profit before income tax for the year		
Increase by 10%	1,669,330	174,391
Decrease by 10%	(1,669,330)	(174,391)
	Year ended 31 December	
	2015	2014
Other comprehensive income before income tax		
Increase by 10%	1,806,814	160,088
Decrease by 10%	(1,806,814)	(160,088)



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55. FINANCIAL RISK MANAGEMENT (Continued)

55.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to shortages of capital or funds. During the normal course of business, the Group may face liquidity risk caused by macroeconomic policy change, market 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 fails to address any liquidity risk by adjusting the asset structure or comply with regulatory requirements on the risk indicators, the Group could be penalized by the regulatory authority by imposing restrictions on the Group's business operation, which would then cause adverse impact on the Group's operation and reputation.

The Group centralized management and control over funds. Through early alert and management on the usage of large sums of money, the Group achieves the objective of centralized control and management of liquidity risk. After balancing among safety, liquidity and profitability, the Group adjusts and allocates 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 prepares funding plan of different terms and report its implementation progress to the management to reflect the status of liquidity risk management.

Undiscounted cash flows by contractual maturities

The tables below present the cash flows receivable and payable by the Group for non-derivative financial assets and liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flows. The tables include both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is derived from interest rate at the end of each reporting period.

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55. FINANCIAL RISK MANAGEMENT (Continued)

55.3 Liquidity risk (Continued)

Undiscounted cash flows by contractual maturities (Continued)

As at 31 December 2015

	Undated	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
Financial assets							
Advances to customers	-	-	9,844,664	63,570,453	84,536	129,428	73,629,081
Accounts receivable	-	764,030	-	-	-	-	764,030
Other financial assets	-	52,911	-	-	-	-	52,911
Investments classified as loans and receivables	-	-	7,500	257,500	3,962,380	-	4,227,380
Available-for-sale financial assets	17,314,478	-	715,714	913,368	9,691,098	8,480,813	37,115,471
Financial assets held under resale agreements	-	-	20,645,474	912,540	371,277	-	21,929,291
Financial assets held for trading	15,559,901	-	2,866,638	9,057,716	9,199,837	2,951,363	39,635,455
Financial assets designated at fair value through profit or loss	1,603,160	-	-	46,769	2,115	6,583	1,658,627
Derivative financial assets	-	23,536	-	-	-	-	23,536
Deposits with exchanges and a non-bank financial institution	-	4,388,963	-	-	-	-	4,388,963
Clearing settlement funds	-	23,259,552	-	-	-	-	23,259,552
Bank balances	-	93,838,566	4,522,605	4,502,651	-	-	102,863,822
Subtotal	34,477,539	122,327,558	38,602,595	79,260,997	23,311,243	11,568,187	309,548,119
Financial liabilities							
Bonds payable	-	-	5,928,926	13,424,725	36,256,641	-	55,610,292
Due to banks and a non-bank financial institution	-	-	1,192,096	-	-	-	1,192,096
Financing instrument payables	-	-	2,423,435	8,810,593	3,076,151	-	14,310,179
Accounts payable to brokerage clients	-	117,992,209	-	-	-	-	117,992,209
Other financial liabilities	500,988	1,936,784	6,000	206,000	3,132,983	52,502	5,835,257
Financial liabilities held for trading	-	-	51,039	-	-	-	51,039
Derivative financial liabilities	-	341,443	-	-	-	-	341,443
Financial assets sold under repurchase agreements	-	1,115,664	24,979,306	22,119,343	-	-	48,214,313
Subtotal	500,988	121,386,100	34,580,802	44,560,661	42,465,775	52,502	243,546,828
Net position	33,976,551	941,458	4,021,793	34,700,336	(19,154,532)	11,515,685	66,001,291

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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)

As at 31 December 2014

	Undated	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
Financial assets							
Advances to customers	-	-	6,295,028	57,795,489	-	-	64,090,517
Accounts receivable	-	458,257	-	-	-	-	458,257
Other financial assets	-	51,566	-	-	-	-	51,566
Investments classified as loans and receivables	-	-	7,500	22,500	262,500	-	292,500
Available-for-sale financial assets	596,072	-	1,198,713	1,191,605	5,699,493	6,069,659	14,755,542
Financial assets held under resale agreements	-	-	7,191,810	154,139	108,015	-	7,453,964
Financial assets held for trading	2,110,417	-	361,471	878,500	1,978,846	1,472,022	6,801,256
Financial assets designated at fair value through profit or loss	633,473	-	-	80,685	277,688	246,601	1,238,447
Deposits with exchanges and a non-bank financial institution	-	5,050,015	1,002,033	-	-	-	6,052,048
Clearing settlement funds	-	31,260,370	-	-	-	-	31,260,370
Bank balances	-	42,511,658	6,109,219	3,459,987	-	-	52,080,864
Subtotal	3,339,962	79,331,866	22,165,774	63,582,905	8,326,542	7,788,282	184,535,331
Financial liabilities							
Bonds payable	-	-	1,370,850	20,885,800	6,559,100	-	28,815,750
Due to banks and a non-bank financial institution	-	-	812,966	1,029,322	-	-	1,842,288
Financing instrument payables	-	-	3,977,486	1,512,433	-	-	5,489,919
Accounts payable to brokerage clients	-	78,407,509	-	-	-	-	78,407,509
Other financial liabilities	313,929	805,931	-	-	200,000	-	1,319,860
Derivative financial liabilities	24,084	-	-	-	-	-	24,084
Financial assets sold under repurchase agreements	-	-	14,452,243	16,616,877	2,840,074	-	33,909,194
Subtotal	338,013	79,213,440	20,613,545	40,044,432	9,599,174	-	149,808,604
Net position	3,001,949	118,426	1,552,229	23,538,473	(1,272,632)	7,788,282	34,726,727

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(Amounts in thousands of Renminbi, unless otherwise stated)

55. FINANCIAL RISK MANAGEMENT (Continued)

55.4 Capital management

The Group's objectives of capital management are:

- To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- To support stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC and Hong Kong regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 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 2015 and 2014, the Company maintained the above ratios as follows:

	As at 31 December	
	2015	2014
Net capital	60,638,000	25,462,313
Ratio 1	1,253.42%	770.74%
Ratio 2	107.79%	88.43%
Ratio 3	50.96%	36.44%
Ratio 4	47.28%	41.21%
Ratio 5	29.39%	12.95%
Ratio 6	79.88%	57.27%

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 2015 and 2014.



SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

56. FAIR VALUE OF FINANCIAL INSTRUMENTS

56.1 Fair value of the Group's financial assets and financial liabilities that are not measured on a recurring basis.

The carrying amounts of the Group's financial assets and liabilities not measured at fair value approximate their fair values as at 31 December 2015 and 31 December 2014 except for the following financial liabilities, for which their carrying amounts including interest payable and fair value are disclosed below:

	As at 31 December 2015	
	Carrying amounts	Fair value
Non-current		
Bonds payable	28,715,006	29,696,557
Financing instrument payables	3,025,533	3,076,151
	As at 31 December 2014	
	Carrying amounts	Fair value
Non-current		
Bonds payable	6,221,766	6,220,662

56.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting periods. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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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 Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	As at 31 December 2015	2014	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets held-for-trading				
- Debt securities traded on stock exchanges	5,208,944	1,526,611	Level 1	• Quoted bid prices in an active market.
- Debt securities traded on interbank market	16,505,880	2,324,228	Level 2	• Discounted cash flows with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
- Equity securities and funds traded on stock exchanges and unlisted funds (open-ended mutual funds)	14,962,903	2,047,509	Level 1	• Quoted bid prices in an active market.
- Equity securities traded on national equities exchange and quotations	589,420	62,908	Level 2	• Recent transaction prices.
Financial assets designated at fair value through profit or loss				
- Debt securities traded on stock exchanges	9,171	657,374	Level 1	• Quoted bid prices in an active market.
- Equity securities and funds traded on stock exchanges	1,260,509	633,473	Level 1	• Quoted bid prices in an active market.
- Other investments	44,340	70,000	Level 2	• Based on the fair value of the underlying investments which are debt and publicly traded equity investments listed in the PRC in each portfolio.
- Equity securities traded on national equities exchange and quotations	342,651	-	Level 2	• Recent transaction prices.
Available-for-sale financial asset				
- Debt securities traded on stock exchanges	11,311,185	8,645,522	Level 1	• Quoted bid prices in an active market.
- Debt securities traded on interbank market	1,442,555	362,788	Level 2	• Discounted cash flows with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
- Equity securities and funds traded on stock exchanges	3,420,465	263,778	Level 1	• Quoted bid prices in an active market.
- Equity securities traded on national equities exchange and quotations	12,136	20,539	Level 2	• Recent transaction prices.

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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 Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	As at 31 December		Fair value hierarchy	Valuation technique(s) and key input(s)
	2015	2014		
Available-for-sale financial asset (Continued)				
- Equity securities traded on stock exchanges with lock-up periods (Note 1)	1,949,479	151,532	Level 3	• Fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.
- Other investments	12,309,007	1,165,027	Level 2	• Based on the fair value of the underlying investments which are debt and publicly traded equity investments listed in the PRC in each portfolio.
- Other investments (Note 1)	1,398,971	696,211	Level 3	• Based on the fair value of the underlying investments which invest in listed shares with lock-up periods in which the fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.
Derivative financial instruments				
- Equity return swaps-assets	23,536	-	Level 2	• Based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty.
- Equity return swaps-liabilities	(341,279)	(24,081)	Level 2	• Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty.
- Stock index futures (Note 2)	(8,156)	(37,197)	Level 1	• Quoted bid prices in an active market.
- Treasury bond futures (Note 2)	(1,146)	(1,624)	Level 1	• Quoted bid prices in an active market.
- Options (Note 3)	(164)	(3)	Level 3	• Calculated based on Black-Scholes option pricing model.

Notes:

1. The unobservable inputs to fair value is the discount rate for lack of marketability, determined by reference to the share price of listed entities in similar industries, ranging from 4.96% to 29.08% (31 December 2014: ranging from 5.76% to 53.14%). The higher the discount rate, the lower the fair value.
2. Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures and treasury bond futures were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 31 December 2015 and 2014. Accordingly, the net position of the stock index futures and treasury bond futures contracts was nil at the end of each reporting period. The above analysis only presents the fair value of derivative financial instruments.
3. The unobservable input to fair value is price volatility in relation to the judgement of future price. The higher the price volatility, the higher the fair value.

SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

56.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

As at 31 December 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
– Equity securities	146,361	12,136	1,949,479	2,107,976
– Debt securities	11,311,185	1,442,555	–	12,753,740
– Funds	3,274,104	–	–	3,274,104
– Other investments	–	12,309,007	1,398,971	13,707,978
	14,731,650	13,763,698	3,348,450	31,843,798
Financial assets held for trading				
– Equity securities	1,319,582	205,191	–	1,524,773
– Debt securities	5,208,944	16,505,880	–	21,714,824
– Funds	13,643,321	384,229	–	14,027,550
	20,171,847	17,095,300	–	37,267,147
Financial assets designated at fair value through profit or loss				
– Equity securities	860,200	342,651	–	1,202,851
– Debt securities	9,171	–	–	9,171
– Funds	400,309	–	–	400,309
– Other investments	–	44,340	–	44,340
	1,269,680	386,991	–	1,656,671
Derivative financial instruments				
– Equity return swaps – assets	–	23,536	–	23,536
– Equity return swaps – liabilities	–	(341,279)	–	(341,279)
– Treasury bond futures	(1,146)	–	–	(1,146)
– Stock index futures	(8,156)	–	–	(8,156)
– Options	–	–	(164)	(164)
	(9,302)	(317,743)	(164)	(327,209)



SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

56.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

As at 31 December 2014

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
– Equity securities	252,190	20,539	151,532	424,261
– Debt securities	8,645,522	362,788	–	9,008,310
– Funds	11,588	–	–	11,588
– Other investments	–	1,165,027	696,211	1,861,238
	8,909,300	1,548,354	847,743	11,305,397
Financial assets held for trading				
– Equity securities	599,869	62,908	–	662,777
– Debt securities	1,526,611	2,324,228	–	3,850,839
– Funds	1,447,640	–	–	1,447,640
	3,574,120	2,387,136	–	5,961,256
Financial assets designated at fair value through profit or loss				
– Equity securities	431,799	–	–	431,799
– Debt securities	657,374	–	–	657,374
– Funds	201,674	–	–	201,674
– Other investments	–	70,000	–	70,000
	1,290,847	70,000	–	1,360,847
Derivative financial instruments				
– Equity return swaps – liabilities	–	(24,081)	–	(24,081)
– Treasury bond futures	(1,624)	–	–	(1,624)
– Stock index futures	(37,197)	–	–	(37,197)
– Options	–	–	(3)	(3)
	(38,821)	(24,081)	(3)	(62,905)

SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

56.3 Reconciliation of Level 3 fair value measurements

	Available-for-sale financial assets
At 1 January 2015	847,743
Total gains/losses	
– Profit or loss	–
– Other comprehensive income	787,688
Purchases	2,898,210
Transfers out (Note)	(1,185,191)
As at 31 December 2015	3,348,450
Total gains for the year	
– dividends included in profit or loss	–
– included in other comprehensive income	312,670
	Available-for-sale financial assets
At 1 January 2014	526,489
Total gains/losses	
– Profit or loss	–
– Other comprehensive income	267,184
Purchases	651,114
Transfers out (Note)	(597,044)
As at 31 December 2014	847,743
Total gains for the year	
– dividends included in profit or loss	45,275
– included in other comprehensive income	136,801

Note: The equity securities traded on stock exchanges with lock-up periods and targeted asset management schemes holding listed shares with lock-up periods were transferred from Level 3 to Level 1 when the lock-up period lapsed and they became unrestricted.

Fair value measurements and valuation process

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages external valuers to perform the valuation. The Group works closely with the external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

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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 2015 and 2014 based on the remaining contractual maturity is as follows:

As at 31 December 2015	Repayable on demand	Less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Assets						
Advances to customers	-	70,138,177	-	-	-	70,138,177
Investments classified as loans and receivables	-	250,000	2,869,100	-	-	3,119,100
Financial assets held under resale agreements	-	21,465,553	325,136	-	-	21,790,689
Available-for-sale financial assets	-	893,574	7,200,366	6,716,768	17,314,478	32,125,186
Financial assets held for trading	-	11,183,921	7,740,613	2,782,713	15,559,900	37,267,147
Financial assets designated at fair value through profit or loss	-	44,340	2,005	7,166	1,603,160	1,656,671
Deposits with exchanges and a non-bank financial institution	4,388,963	-	-	-	-	4,388,963
Derivative financial assets	23,536	-	-	-	-	23,536
Clearing settlement funds	23,259,552	-	-	-	-	23,259,552
Bank balances	93,838,566	8,743,039	-	-	-	102,581,605
	121,510,617	112,718,604	18,137,220	9,506,647	34,477,538	296,350,626
Liabilities						
Bonds payable	-	22,830,000	27,570,925	-	-	50,400,925
Due to banks and non-bank financial institutions	-	1,190,515	-	-	-	1,190,515
Financing instrument payables	-	10,867,870	3,000,000	-	-	13,867,870
Accounts payable to brokerage clients	117,992,209	-	-	-	-	117,992,209
Derivative financial liabilities	341,443	-	-	-	-	341,443
Third-party interests in consolidated structured entities	-	200,000	2,677,026	52,502	491,347	3,420,875
Financial liabilities held for trading	-	51,039	-	-	-	51,039
Financial assets sold under repurchase agreements	1,115,664	43,737,256	-	-	-	44,852,920
	119,449,316	78,876,680	33,247,951	52,502	491,347	232,117,796

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57. MATURITY PROFILE OF ASSETS AND LIABILITIES (Continued)

As at 31 December 2014	Repayable on demand	Less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Assets						
Advances to customers	-	61,442,657	-	-	-	61,442,657
Investments classified as loans and receivables	-	-	250,000	-	-	250,000
Financial assets held under resale agreements	-	7,315,173	89,652	-	-	7,404,825
Available-for-sale financial assets	-	150,638	3,886,387	4,971,285	2,575,225	11,583,535
Financial assets held for trading	-	1,060,040	1,447,347	1,343,452	2,110,417	5,961,256
Financial assets designated at fair value through profit or loss	-	-	454,035	203,339	703,473	1,360,847
Deposits with exchanges and a non-bank financial institution	-	1,000,000	-	-	5,050,015	6,050,015
Clearing settlement funds	31,260,370	-	-	-	-	31,260,370
Bank balances	50,934,621	876,981	-	-	-	51,811,602
	82,194,991	71,845,489	6,127,421	6,518,076	10,439,130	177,125,107
Liabilities						
Bonds payable	-	20,700,000	6,200,000	-	-	26,900,000
Due to banks and non-bank financial institutions	-	1,812,123	-	-	-	1,812,123
Financing instrument payables	-	5,417,910	-	-	-	5,417,910
Accounts payable to brokerage clients	78,407,509	-	-	-	-	78,407,509
Financial assets sold under repurchase agreements	-	30,164,925	2,575,000	-	-	32,739,925
	78,407,509	58,094,958	8,775,000	-	-	145,277,467

58. EVENTS AFTER THE END OF THE REPORTING PERIOD

1. In accordance with the 2015 profit distribution plan approved by the board of directors on 24 March 2016, the Company proposed cash dividends of RMB3.28188 per 10 shares (inclusive of tax) based on a total of 9,537,258,757 shares in issue as of 31 December 2015, amounting to approximately RMB3,130,010,721.86 in total, to holders of domestic shares and H shares who are registered in the Company's register of members on the record date. The proposed profit distribution plan is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.
2. Pursuant to the Notice on the Preparation for the Full Implementation of the Pilot Scheme of Value-Added Tax Reform (Cai Shui [2016] No.32) issued by the MOF and the State Administration of Taxation in March 2016, it was announced that, commencing from 1 May 2016, income of financial service sectors should be subject to value added taxes ("VAT") instead of business taxes. The entity subject to VAT should pay VAT after deducting input taxes arising from certain purchases. As detailed VAT regulations applicable to the financial industry have not yet been fully released, the Group is still investigating the impact of these changes to its financial results and operations.

59. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.

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60. INVESTMENTS IN SUBSIDIARIES

	As at 31 December	
	2015	2014
Unlisted shares, at cost	3,332,980	3,332,980
Less: Allowance for impairment losses	(147,500)	(147,500)
	3,185,480	3,185,480

As at 31 December 2015, the Company has the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Equity interest and voting right held by the Group		Share capital/ registered/paid-up capital (RMB unless otherwise stated)	Principal activities
		2015	2014		
Galaxy Capital Management Company Limited* (銀河創新資本管理有限公司)	Beijing, PRC	100%	100%	1,000,000,000	Assets management, project investment and investment management
China Galaxy International Financial Holdings Company Limited (“Galaxy International Financial Holdings”)	Hong Kong, PRC	100%	100%	HKD1,000,000,000	Investment holding
Galaxy Futures Company Limited* (銀河期貨有限公司)	Beijing, PRC	83.32%	83.32%	1,200,000,000	Commodity futures broking, financial futures broking, futures investment consultancy and asset management
Galaxy Jinhui Securities Asset Management Company Limited (“Galaxy Jinhui”)* (銀河金匯證券資產管理有限公司)	Shenzhen, PRC	100%	100%	500,000,000	Asset management
Galaxy Yuanhui Investment Company Limited* ⁽¹⁾ (銀河源匯投資有限公司)	Shanghai, PRC	100%	–	350,000,000	Alternative investment
China Galaxy International Futures (Hong Kong) Company Limited	Hong Kong, PRC	100%	100%	HKD30,000,000	Futures contracts dealing and broking
China Galaxy International Securities (Hong Kong) Company Limited ⁽²⁾	Hong Kong, PRC	100%	100%	HKD900,000,000	Securities broking
China Galaxy International Finance (Hong Kong) Company Limited	Hong Kong, PRC	100%	100%	HKD1,000,000	Money lending
China Galaxy International Assets Management (Hong Kong) Company Limited	Hong Kong, PRC	100%	100%	HKD20,000,000	Asset management

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60. INVESTMENTS IN SUBSIDIARIES (Continued)

As at 31 December 2015, the Company has the following subsidiaries: (Continued)

Name of subsidiary	Place of incorporation/ establishment	Equity interest and voting right held by the Group		Share capital/ registered/paid-up capital (RMB unless otherwise stated)	Principal activities
		2015	2014		
Galaxy Golden Rock Investment Consultancy (Shenzhen) Company Limited* (銀河金岩投資諮詢(深圳)有限公司)	Shenzhen, PRC	100%	100%	2,200,000	Economic information consultancy, enterprise management consultancy and project investment consultancy
China Galaxy International Wealth Management (Hong Kong) Company Limited	Hong Kong, PRC	100%	100%	HKD500,000	Wealth management and insurance broking
Galaxy Yueke Fund Management Co., Ltd.* (銀河粵科基金管理有限公司)	Foshan, PRC	51%	51%	100,000,000	Investment fund management
Galaxy Yueke (Guangdong) Industry Investment Fund (Limited Partnership) * (銀河粵科(廣東)產業投資基金(有限合伙))	Foshan, PRC	40%	40%	500,000,000	Investing in securities
Galaxy Derivatives Capital Management Company Limited* (銀河德睿資本管理有限公司)	Shanghai, PRC	70%	70%	200,000,000	Assets management and investment management

⁽¹⁾ In December 2015, Galaxy Yuanhui Investment Company Limited was established in the PRC and is a wholly-owned subsidiary of the Company.

⁽²⁾ In April 2015, the paid-in capital of China Galaxy International Securities (Hong Kong) Company Limited increased from HKD600 million to HKD900 million. Galaxy International Financial Holdings contributed such additional capital in cash.

* These subsidiaries do not have official English names.

In the opinion of the directors, there is no subsidiary with material non-controlling interests within the Group. Accordingly, no further information on non-wholly-owned subsidiary has been presented.



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61. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) The Company's statement of financial position

	Notes	As at 31 December	
		2015	2014
Non-current assets			
Property and equipment		406,538	338,099
Goodwill		223,278	223,278
Other intangible assets		345,773	337,838
Investments in subsidiaries	60	3,185,480	3,185,480
Investment in an associate		–	20,011
Available-for-sale financial assets		17,095,385	233,724
Financial assets held under resale agreements		323,624	89,652
Deposits with exchanges and a non-bank financial institution		747,953	146,301
Deferred tax assets		166,989	330,972
Total non-current assets		22,495,020	4,905,355
Current assets			
Advances to customers		68,114,975	59,927,053
Accounts receivable		412,280	191,070
Other receivables and prepayments		2,188,219	973,049
Amounts due from subsidiaries		622,262	346,623
Available-for-sale financial assets		14,692,743	10,198,517
Financial assets held under resale agreements		20,802,999	7,313,673
Financial assets held for trading		36,316,471	5,714,036
Financial assets designated at fair value through profit or loss		1,612,331	1,290,847
Derivative financial assets		23,536	–
Deposits with exchanges and a non-bank financial institution		3	1,210,567
Clearing settlement funds		23,025,915	30,943,147
Bank balances		91,499,323	41,746,106
Total current assets		259,311,057	159,854,688
Total assets		281,806,077	164,760,043
EQUITY AND LIABILITIES			
Equity			
Share capital		9,537,259	7,537,259
Reserves	61(b)	33,130,473	13,152,593
Retained profits		13,589,997	8,105,040
Total equity		56,257,729	28,794,892

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(Amounts in thousands of Renminbi, unless otherwise stated)

61. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

(a) The Company's statement of financial position (Continued)

	As at 31 December	
	2015	2014
Liabilities		
Non-current liabilities		
Bonds payable	27,570,925	6,200,000
Financing instrument payables	3,000,000	–
Other payables and accruals	260,691	–
Financial assets sold under repurchase agreements	–	2,575,000
Total non-current liabilities	30,831,616	8,775,000
Current liabilities		
Bonds payable	22,830,000	20,700,000
Due to banks and a non-bank financial institution	–	1,000,000
Financing instrument payables	10,867,870	5,417,910
Accounts payable to brokerage clients	106,566,951	66,093,265
Accrued staff costs	5,245,124	2,714,763
Other payables and accruals	3,365,395	858,779
Current tax liabilities	596,154	341,788
Financial liabilities held for trading	51,039	–
Derivative financial liabilities	341,279	24,081
Financial assets sold under repurchase agreements	44,852,920	30,039,565
Total current liabilities	194,716,732	127,190,151
Total liabilities	225,548,348	135,965,151
Total equity and liabilities	281,806,077	164,760,043
Net current assets	64,594,325	32,664,537
Total assets less current liabilities	87,089,345	37,569,892

SECTION XII CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

61. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

(b) Movement in the Company's reserves

The movements in reserves and retained profits of the Company are set out below:

	Reserves							Retained profits	Total equity
	Share capital	Capital reserve	Investment revaluation reserve	General reserves	Other reserves	Subtotal			
At 1 January 2014	7,537,259	4,746,899	(335,184)	7,075,584	20,292	11,507,591	5,994,224	25,039,074	
Profit for the year	-	-	-	-	-	-	3,683,038	3,683,038	
Other comprehensive income/ (expense) for the year	-	-	586,990	-	(46,900)	540,090	-	540,090	
Total comprehensive income/ (expense) for the year	-	-	586,990	-	(46,900)	540,090	3,683,038	4,223,128	
Appropriation to general reserves	-	-	-	1,104,912	-	1,104,912	(1,104,912)	-	
Dividend recognized as distribution	-	-	-	-	-	-	(467,310)	(467,310)	
At 31 December 2014	7,537,259	4,746,899	251,806	8,180,496	(26,608)	13,152,593	8,105,040	28,794,892	
Profit for the year	-	-	-	-	-	-	9,558,453	9,558,453	
Other comprehensive income/ (expense) for the year	-	-	254,608	-	(8,540)	246,068	-	246,068	
Total comprehensive income/ (expense) for the year	-	-	254,608	-	(8,540)	246,068	9,558,453	9,804,521	
Placing of new H shares	2,000,000	16,923,098	-	-	-	16,923,098	-	18,923,098	
Costs of placing of new H shares	-	(58,821)	-	-	-	(58,821)	-	(58,821)	
Appropriation to general reserves	-	-	-	2,867,535	-	2,867,535	(2,867,535)	-	
Dividend recognized as distribution	-	-	-	-	-	-	(1,205,961)	(1,205,961)	
At 31 December 2015	9,537,259	21,611,176	506,414	11,048,031	(35,148)	33,130,473	13,589,997	56,257,729	

