



# 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 **2017**





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## DEFINITIONS

“A Share(s)”	domestic shares in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the SSE, subscribed and traded in Renminbi
“Article of Association”	the articles of association of the Company (as amended from time to time)
“Board” or “Board of Directors”	the board of Directors of the Company
“bp”	unit of measurement for the change in interest rate of bonds and notes, one bp equals to 1% of a percentage point
“CG Code”	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Stock Exchange Listing Rules
“Company”	China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司), a joint stock limited company incorporated in the PRC on 26 January 2007, whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 06881), the A Shares of which are listed on the SSE (Stock Code: 601881)
“Company Law”	the Company Law of the People’s Republic of China
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Directors”	directors of the Company
“End of the Reporting Period”	31 December 2017
“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), owned as to 100% by the Company and a wholly-owned subsidiary of the Company
“Galaxy Financial Holdings”	China Galaxy Financial Holdings Limited (中國銀河金融控股有限責任公司), the controlling shareholder of the Company, which currently holds 50.91% of the issued share capital of the Company
“Galaxy Fund Management”	Galaxy Fund Management Company Limited (銀河基金管理有限公司), owned as to 50% by Galaxy Financial Holdings and a non-wholly owned subsidiary of Galaxy Financial Holdings
“Galaxy Futures”	Galaxy Futures Company Limited (銀河期貨有限公司), owned as to approximately 83.32% by the Company and a non-wholly owned subsidiary of the Company
“Galaxy International Holdings”	China Galaxy International Financial Holdings Company Limited (中國銀河國際金融控股有限公司), owned as to 100% by the Company and a wholly-owned subsidiary of the Company
“Galaxy Jinhui”	Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金匯證券資產管理有限公司), owned as to 100% by the Company and a wholly-owned subsidiary of the Company



## DEFINITIONS

“Galaxy Yuanhui”	Galaxy Yuanhui Investment Co., Ltd. (銀河源匯投資有限公司), owned as to 100% by the Company and a wholly-owned subsidiary of 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 held an equity interest of approximately 78.57% of Galaxy Financial Holdings as at the End of the Reporting Period
“IPO”	Initial Public Offering
“margin and securities refinancing”	a business in which securities firms can act as intermediaries to borrow funds or securities from the China Securities Finance Co., Ltd. and lend such funds and securities to their clients
“Market Share”	the market share
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Appendix 10 to the Stock Exchange Listing Rules
“New OTC Board”	National Equities Exchange and Quotations for medium and small-sized enterprises
“PRC” or “China”	the People’s Republic of China, and for the purposes of this report, excluding Hong Kong, Macau Special Administrative Region and Taiwan region
“QDII”	Qualified Domestic Institutional Investor
“QFII”	Qualified Foreign Institutional Investor
“Reporting Period”	the period from 1 January 2017 to 31 December 2017
“RQFII”	Renminbi Qualified Foreign Institutional Investor, a pilot program launched in the PRC which allows Hong Kong subsidiaries of PRC brokerage companies and fund houses to facilitate investments of offshore Renminbi into the PRC capital markets
“SASAC”	the State-owned Assets Supervision and Administration Committee of the State Council (國務院國有資產監督管理委員會)
“Securities Law”	the Securities Law of the People’s Republic of China
“SFC”	the Securities and Futures Commission of Hong Kong



## DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“SHCI”	the Shanghai Composite Index
“SSE”	the Shanghai Stock Exchange
“SSE Listing Rules”	the Rules Governing the Listing of Securities on the Shanghai Stock Exchange (as amended from time to time)
“Stock Exchange Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
“Supervisors”	supervisors of the Company
“Supervisory Committee”	the supervisory committee of the Company
“SZCI”	the Shenzhen Component Index
“SZSE”	the Shenzhen Stock Exchange
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“US\$” or “U.S. dollars” or “USD”	United States dollars, the lawful currency of the United States
“VaR”	value at risk

### 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 2017, adhering to the spirit of the 19th National Congress of the Communist Party of China, the Central Economic Work Conference and the National Financial Work Conference, the Company continuously adapted to the changing situation of “strict supervision and keen competition” in the securities industry and seized the development trend of the industry. Towards the strategic target of “building a carrier securities broker and a modern investment bank”, the Company made its transformation to the business model of “Dual-wheel Drive and Coordinated Development” and timely performed comprehensive management system reforms.

In the process of transformation and development, thanks to the strong support of all shareholders and the joint efforts of all employees, the Company safeguarded its steady operation and achieved satisfactory results. In 2017, the Company realized revenue and other income of RMB15.986 billion and net profits attributable to shareholders of the Company of RMB3.981 billion, with the weighted average return on net assets of 6.33%. In 2017, the Company completed IPO for A Shares, becoming the second securities broker with H Shares and A Shares successively listed. The Company's businesses achieved “steady progress” amidst keen market competition: net income from the securities brokerage business was among first tier securities companies; the dealer-quoted securities repurchase business grew robustly; the market ranking in terms of scale of the asset management business rapidly increased, which helped diversify the sources of operating income of the Company. With the acceleration of the Company's internationalization, Galaxy International Holdings, as the acquirer, has made significant progress in its acquisition of the securities business of the CIMB Group in Malaysia.

In 2018, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company will strengthen Party building work, implement national strategies and comply with regulatory requirements. Leveraging capital market instruments in a reasonable manner with greater efforts on systematic risk prevention and control, the Company will strive to serve the real economy from various aspects such as improving mechanisms, integrating resources and making up for shortcomings, promote the sustainable development of its businesses with “stable progress and prospects for improvement”, raise the core competitiveness of the Company, fulfil its social responsibilities, provide better services to clients and a better platform to our staff, so as to create greater value for our shareholders.

**China Galaxy Securities Co., Ltd.**

**Chen Gongyan**

*Chairman*

28 March 2018



## 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 37th meeting of the 3rd session of the Board of Directors, with 10 Directors attended and voted at the meeting. Due to work arrangements, Mr. Wang Zhenjun, an independent non-executive Director, gave written authorization to Mr. Luo Lin, an independent non-executive Director, to act as his proxy to attend and vote at the meeting. No objection was put forward by Directors and Supervisors for this report.

The financial report for 2017 was prepared by the Company according to International Financial Reporting Standards (“IFRS”) and PRC Corporate Accounting Standards (“PRC GAAP”), which has been audited by Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP and they have issued auditors’ report with unqualified opinions. Unless otherwise stated, the amounts in this report are presented in RMB.

Mr. Chen Gongyan (chairman), Mr. Gu Weiguo (vice-chairman and president) and Ms. Zhu Ruimin (chief financial officer) hereby confirm that the financial reports as disclosed in this report are true, accurate and complete.

The forward-looking statements such as future plans, development strategies contained in this report do not constitute substantive undertakings by the Company to investors who are advised to be cautious about investment risks. Business of the Company is highly dependent on the overall economy and market conditions of China and regions where our businesses are located. Any fluctuations in China and international capital markets will have a significant impact on the Company’s operating results.

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

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



## SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

### I. COMPANY PROFILE

#### 1. Name of the Company

Chinese Name: 中國銀河證券股份有限公司

Abbreviation of Chinese name: 中國銀河證券

English Name: China Galaxy Securities Co., Ltd.

Abbreviation of English name: CGS

#### 2. Legal Representative: Chen Gongyan

General Manager (President): Gu Weiguo

#### 3. Registered Capital: RMB10,137,258,757

Net Capital: RMB50,746,807,591.89

#### 4. Qualification of individual business

- (1) Qualification for warrant clearance business
- (2) Qualified warrant dealer
- (3) Qualified primary dealer for ETF
- (4) Qualification for open-ended securities investment funds agency sales business
- (5) Clearing participant of China Securities Depository and Clearing Company Limited
- (6) Qualification for online securities entrustment business
- (7) Member of SSE
- (8) Member of SZSE
- (9) Qualification as registered sponsor
- (10) Qualification for offering intermediary services for futures companies
- (11) Qualified inquirer and place for offline placements
- (12) Qualified block-trader of SZSE
- (13) Qualified block-trader of SSE
- (14) Qualified electronic trading platform for SSE for offline placements
- (15) Qualified electronic trading platform for SZSE for offline placements





## SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

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



## SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

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



## SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

### 5. Headquarters in the PRC

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

### 6. Principal Place of Business in Hong Kong

20th Floor, Wing On Centre, 111 Connaught 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 : (86) 010-66568338  
Fax : (86) 010-66568640  
E-mail : [wuchengming@chinastock.com.cn](mailto:wuchengming@chinastock.com.cn)

### 8. Joint Company Secretaries

Wu Chengming, Mok Ming Wai

### 9. Authorized Representatives

Wu Chengming, Mok Ming Wai

### 10. Listing of H Shares: HKEX

Stock Code: 6881 Stock Name: CGS

### 11. Listing of A Shares: SSE

Stock Code: 601881 Stock Name: CGS

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

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

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

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

### 13. Website for Disclosure of Information for H Shares

<http://www.hkexnews.hk>



## SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

### II. HISTORY

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

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

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

In 2011, Beijing Qingyuan Defeng Venture Capital Co., Ltd. transferred 2 million shares then held by it to Shougang Corporation (首鋼總公司). CSRC Beijing Bureau issued the Letter of No-Objection Concerning the Change of Shareholders with Less than 5% Shareholding of China Galaxy Securities Co., Ltd. (Jing Zheng Ji Gou Fa [2012] No. 2), and the Company completed relevant procedures concerning the change of equity interest according to related requirements in respect of the captioned transfer.

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

The Company successfully listed its H Shares on the Hong Kong Stock Exchange on 22 May 2013. Following exercise of over-allotment option on 13 June 2013, there were 1,606,604,500 H Shares in issue, among which, 69,345,743 H Shares were sold by the National Council for Social Security Fund and the remaining 1,537,258,757 H Shares were new shares issued by the Company. The Company raised capital of HKD8,147 million. The registered capital of the Company was increased to RMB7,537 million.

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

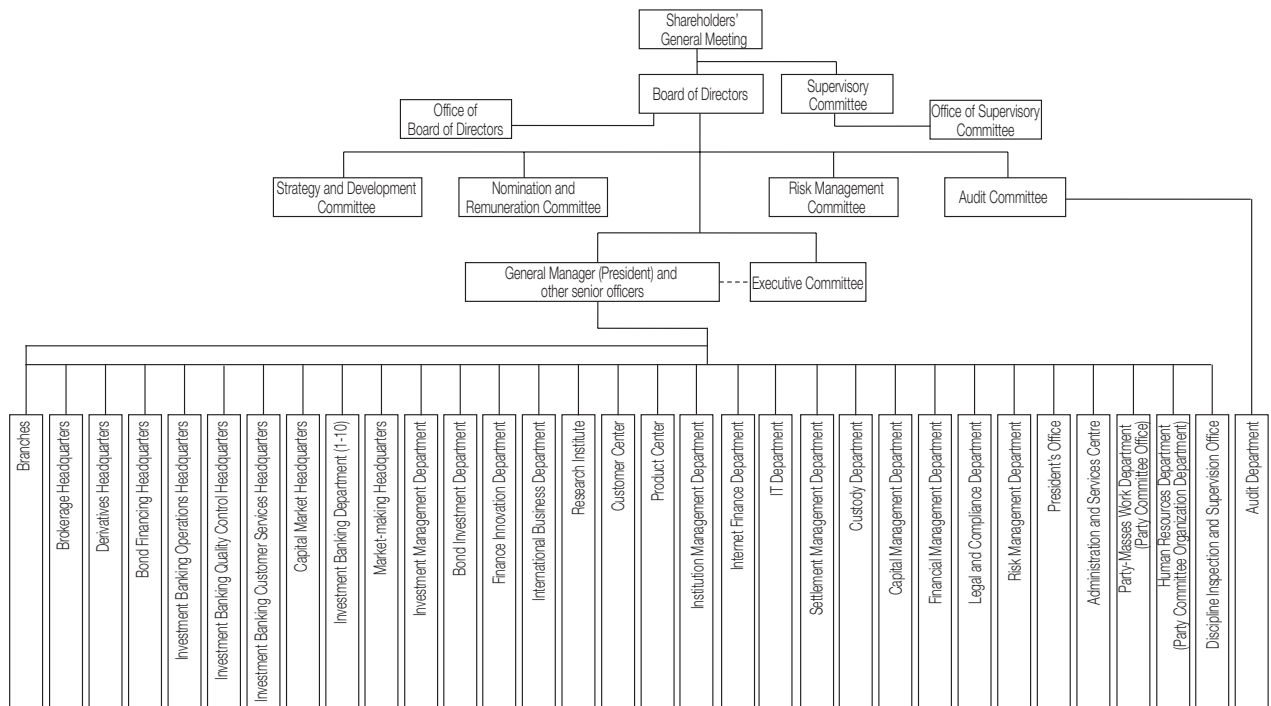
In January 2017, the Company conducted an initial public offering of 600,000,000 A Shares, which became listed on the SSE on 23 January 2017. The Company’s registered capital was increased to RMB10,137 million.



# SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

## III. ORGANIZATIONAL STRUCTURE

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





## SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

### IV. OTHER RELATED INFORMATION

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



## SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

### V. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

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

Profit (RMB'000)

Item	2017	2016	2017	2015	2014	2013
			(compared with 2016) increase /decrease			
Revenue and other income	15,985,837	18,403,114	-13.14%	33,759,274	13,016,560	8,426,229
Total expenses	11,177,182	11,826,483	-5.49%	20,625,303	8,013,606	5,532,877
Profit before income tax	4,808,655	6,576,631	-26.88%	13,133,971	5,003,299	2,893,018
Profit for the year-attributable to owners of the Company	3,980,730	5,153,546	-22.76%	9,835,510	3,770,728	2,135,247

Assets (RMB'000)

Item	2017/12/31	2016/12/31	2017/12/31	2015/12/31	2014/12/31	2013/12/31
			(compared with 2016/12/31) increase /decrease			
Total assets	254,814,966	245,880,520	3.63%	300,655,551	180,025,707	78,284,368
Total liabilities	189,928,533	187,526,621	1.28%	243,406,135	150,689,787	52,862,701
Accounts payable to brokerage clients	64,787,132	90,404,209	-28.34%	117,992,209	78,407,509	36,451,282
Equity attributable to owners of the Company	64,513,027	57,988,546	11.25%	56,913,566	29,023,797	25,174,829
Total share capital	10,137,259	9,537,259	6.29%	9,537,259	7,537,259	7,537,259

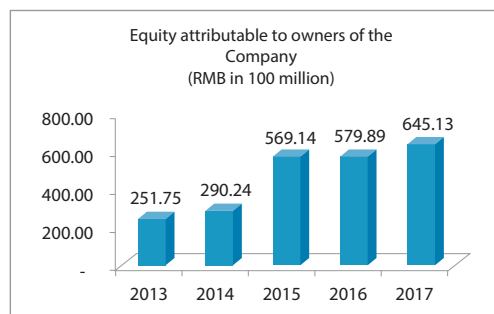
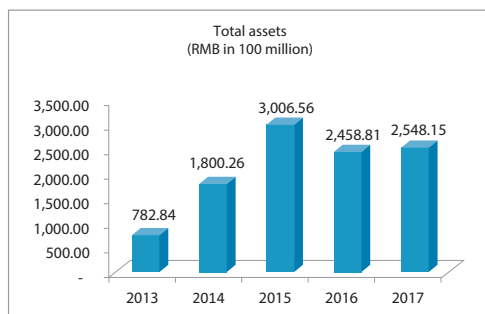
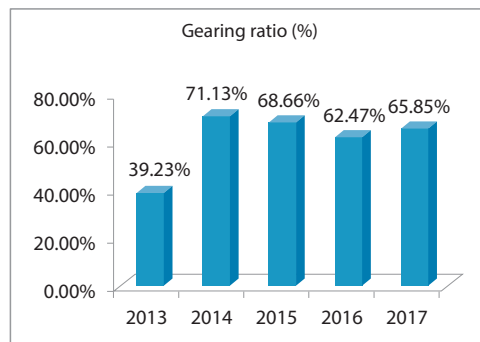
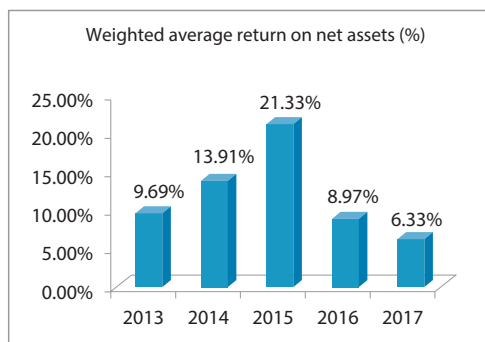
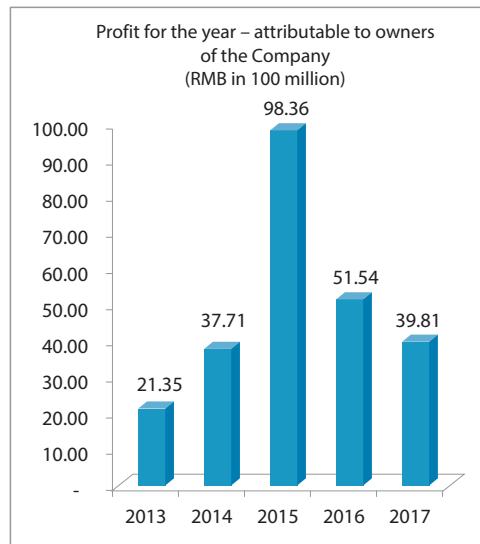
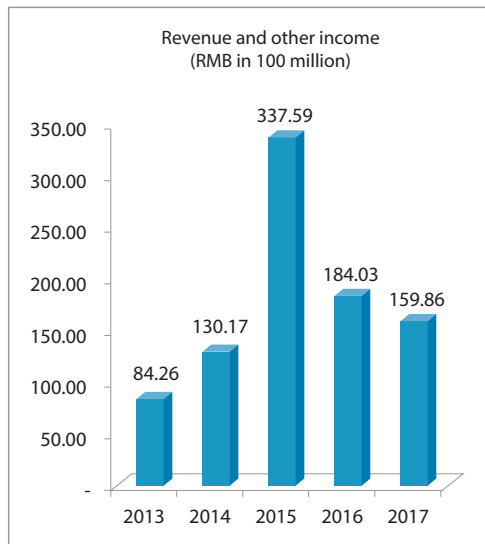
Key Financial Indicators

Item	2017	2016	2015	2014	2013
Basic earnings per share	0.39	0.54	1.11	0.50	0.31
Diluted earnings per share	Not applicable	Not applicable	Not applicable	Not applicable	0.31
Weighted average return on net assets	6.33%	8.97%	21.33%	13.91%	9.69%
Gearing ratio (%) <sup>1</sup>	65.85%	62.47%	68.66%	71.13%	39.23%
Net assets attributable to owners of the Company (RMB/share)	6.36	6.08	5.97	3.85	3.34

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



## SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION







## SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

### (ii) Differences of Accounting Data Under Domestic and Foreign Accounting Standards

There is no difference between the net profits for 2017 and 2016 as well as the net assets as of 31 December 2017 and 31 December 2016 included in the consolidated financial statements of the Company prepared in accordance with IFRS and those items for and as of the same periods included in the consolidated financial statements of the Company prepared in accordance with PRC GAAP.

### VI. NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS

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

Unit: RMB'000

Item	As at the End of the Reporting Period	As at the end of last year
Net Capital	50,746,808	53,108,748
Net Assets	63,195,254	56,902,821
Risk Coverage (%)	242.39	361.60
Net Capital/Net Assets (%)	80.30	93.33
Net Capital/Liabilities (%)	43.74	59.81
Net Assets/Liabilities(%)	54.46	64.09
Proprietary Equity Securities and Derivatives/Net Capital (%)	32.94	31.14
Proprietary Non-Equity Securities and Derivatives/Net Capital (%)	96.53	86.52
Capital Leverage (%)	29.38	34.88
Liquidity Coverage (%)	171.61	218.70
Net Stable Funding Ratio (%)	124.93	138.74



## SECTION III COMPANY BUSINESS OVERVIEW

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

#### (I) Primary business types of the Group

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

The principal businesses of the Group include:

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

#### **Brokerage, Sales and Trading**

1. Brokerage and wealth management: We execute trades on behalf of clients in stocks, funds, bonds, derivatives and futures, and provide comprehensive wealth management services to our clients.
2. Institutional sales and investment research: We market and sell securities products and services to institutional investor clients and provide professional research services to facilitate their investment decisions.
3. Margin financing and securities lending and stocks pledge: We provide guaranteed and collateralized margin financing and securities lending services, which provide financial leverage for our clients to meet their financing demands and vitalize their equity assets.
4. Asset management: We charge management and advisory fees through providing professional asset management services for individual and institutional clients in the form of collective asset management schemes, targeted asset management schemes and special asset management schemes.

#### **Investment Banking**

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

#### **Investment Management**

We engage in proprietary trading and provide other securities trading services to enhance liquidity for clients and accommodate our clients' investment and financing needs. We also obtain investment income through conducting private equity investment and alternative investment.

#### **Overseas Business**

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



## SECTION III COMPANY BUSINESS OVERVIEW

### (II) Operational model of the Group

During the Reporting Period, the operational model of the Company has shifted from “One Core, Two Wings and Coordinated Development” to “Dual-wheel Drive and Coordinated Development”.

“Dual-wheel Drive”: One wheel is wealth management which consolidates big brokerage and big asset management businesses to provide integrated wealth management services to our clients. The other wheel is big investment banking which provides support to the real economy and financing services to enterprises. “Coordinated Development”: To further reinforce centralized coordination and management in line with the Company’s new management system of “centralized coordination + business line management”, to enhance the development of products, clients, data and services centers, and to solidify the all-round synergy mechanism of business and management, striving to transform branches into regional integrated financial services centers.

To conform to the requirement of the opening up and development of the industry, the Company has timely adjusted its business development model and supporting management system to promote the coordination of its dual-wheel businesses, step up its overseas business development, and reshape the market position and public image of the Company, striving to achieve the strategic objective of “building a carrier securities broker and a modern investment bank” and become a leading comprehensive securities company in the industry.

### (III) Development characteristics of the industry of the Group

#### 1. Economic environment

In 2017, the global and domestic economic environment was complicated and changing, which brought both opportunities and challenges to China. From an international perspective, the economic growth of the United States, Japan, Europe and other developed economies has accelerated. The monetary policy of developed economies, such as the United States, has ceased quantitative easing and showed the characteristics of steady normalization. From a domestic perspective, the overall economic growth was steady yet tended to decrease. The growth of fixed asset investment has slowed down, and the investment in real estate has also cooled down. The scale and quality of citizen consumption has continued to improve, while the export showed a steady rising trend in line with the recovery of developed economies. Along with the ongoing supply-side strategic reform, the industrial production has maintained stable development with significant structural optimization. Due to the demand for clearing arising from transformation and upgrading, the future economic growth will be under certain downward pressure, yet the economic growth model will gradually shift from extensive growth to high-quality development.

#### 2. Market environment

In 2017, the PRC stock market fluctuated in general and the bond market fell after a surge. In the stock market, the main board showed a slow and fluctuating uptrend while the GEM board stayed downturn. SHCI, SZCI, SSE SME Composite Index and ChiNext Price Index recorded an increase/decrease (-) of 6.56%, 8.48% and 16.73% and -10.67%, respectively, during the Reporting Period. In terms of trading, the total trading turnover of A shares was RMB111.76 trillion during the Reporting Period, representing a decrease of 11.66% year-on-year. For margin financing and securities lending, the balance of margin financing and securities lending was RMB1,026.264 billion as at the end of 2017, representing an increase of 9.26% year-on-year. For equity financing, listed companies actually raised RMB1.72 trillion through IPO, additional offering and placing during the Reporting Period, representing a decrease of 18.50% year-on-year. For the bond market, the yield to maturity of inter-bank 10-year fixed rate MOF bonds in the secondary market increased with fluctuation and grew by 86.92 bps during the Reporting Period, closing at 3.8807%. During the Reporting Period, the number of newly issued bonds in the primary market was 37,266, with the principal amounts of RMB40.78 trillion. As at the end of 2017, there were a total of 36,989 bonds in issue with balances of RMB74.66 trillion, representing a year-on-year increase of 25.76% and 16.19%, respectively.



## SECTION III COMPANY BUSINESS OVERVIEW

### 3. Industry situation

In 2017, in view of the continuous policy of “legal, strict and comprehensive regulation” for the securities industry, the regulatory system covering the whole industry was progressively enhanced. Turning back to the original business, securities companies transformed the traditional business and extended the application of financial technologies. The business structure was also under ongoing optimization with a decline in the proportion of brokerage and investment banking businesses and an increase in the proportion of proprietary, asset management and capital-based intermediary businesses. For specific businesses, considering the shrinking commission rate and intensifying market competition for the traditional brokerage business, the transformation into wealth management business is imminent. The capital-based intermediary business, represented by margin financing and securities lending and stocks pledge, has become the focus of business development for securities firms. Thanks to the normalized IPO issuance, the scale and quantity of investment banking business far exceeded those for 2016, but it's still under the pressure from various aspects such as tighter IPO approval procedures, new regulations on refinancing and bond market issuance losing attention among the rising interest rates. The asset management business has stepped up to return to active management and the channel business has been significantly scaled down. It is expected that the new regulations on big asset management promulgated by the central bank will further enhance the scale and capacity of active management business of securities firms.

In 2017, due to the slump in the market activity and the stringent regulatory environment, the net profit of the securities industry has further declined, yet in a narrowing extent. In the future, as the market trading volume stabilizes and the marginal effect of tightened regulation weakens, it is expected that the securities industry could stop its downturn cycle and achieve a steady rise in profit. According to the unaudited statistics of securities company's parent company published by the Securities Association of China (“SAC”), as at the End of the Reporting Period, total assets, net assets and net capital of the PRC securities industry amounted to RMB6.14 trillion, RMB1.85 trillion and RMB1.57 trillion, respectively; and the operating income amounted to RMB311.285 billion and net profits of RMB113.217 billion, representing a year-on-year decrease of 4.94% and 7.54%, respectively.

#### (IV) The position of the Group in the industry

The Group is a leading comprehensive financial service provider in the securities industry in China. Since its incorporation, the Group has maintained strong comprehensive competitiveness, with the Company remaining as a first tier securities company in the industry in terms of capital scale, profitability, business strength and risk management capability. According to the data in the financial statements (unaudited) of securities company's parent company published by the SAC, in 2017, the Company ranked ninth and tenth in the industry in terms of operating income and net profit, and ranked eighth, seventh, and seventh in the industry in terms of total assets, net assets and net capital, respectively.

## II. SIGNIFICANT CHANGES TO MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

At the end of 2017, the Group's total assets amounted to RMB254.815 billion, representing an increase of 3.63% as compared with the end of last year. Among them, clearing settlement funds were RMB12.538 billion, representing a decrease of 50.56% as compared with the end of last year, which was mainly due to the decrease in provisions of clients; financial assets purchased under resale agreements were RMB38.256 billion, representing an increase of 194.14% as compared with the end of last year, which was mainly due to the increase in scale of dealer-quoted securities repurchase; investment in receivables were RMB4.984 billion, representing an increase of 36.81% as compared with the end of last year, which was mainly due to the increase in creditor's rights arising from the buy-and-resell business of the Group.

Among which, overseas assets amounted to RMB9.223 billion, representing 3.62% of total assets, accounting for a small proportion.



## SECTION III COMPANY BUSINESS OVERVIEW

### III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

#### (I) Brokerage business with significant scale advantages

The Company has a leading market position in its brokerage business. During the Reporting Period and according to the unaudited data of the SAC, the net income of the Company from the securities brokerage business ranked second in the industry in terms of individual securities companies with a market share of 5.28%. The Company ranked second in the industry in terms of aggregate market value of securities in its client accounts, which amounted to RMB2.94 trillion and represented a market share of 7.28%. The Company ranked fourth in terms of the balance of clients' deposit margin account, which amounted to RMB49.603 billion and represented a market share of 4.67%. According to the data of the SSE and the SZSE, the total trading volume of stock and funds of the Company ranked fifth in the industry with a market share of 4.57%. As at the End of the Reporting Period, the balance of margin financing and securities lending of the Company ranked fourth in the industry with a market share of 5.56%. The huge client base and client assets of the Company provide significant growth potential for its businesses, and become a powerful driver for the development and innovation of its businesses such as margin financing and securities lending, capital-based intermediary bulk trades, institutional sales and cash management.

#### (II) Having the largest channel network currently in operation in the industry

The Company currently has 470 securities brokerage branches in central cities in 31 provinces, autonomous regions and municipalities across China, covering developed regions and regions with development potential. Currently, it is the securities company with the largest number of branches in China. Its overseas branches (including Hong Kong) and 26 futures brokerage branches provide clients with extended services. A reasonable strategic layout helps the Company obtain high-end clients in developed regions, benefit from the rapid economic growth and urbanization in developing regions so as to grasp overseas business opportunities. At the same time, it can provide clients with convenient local services and help build brand advantages, enhance the sense of belonging and trust of clients and promote coordinated marketing opportunities. To enhance its branch network's marketing capabilities, the Company also fully utilizes various information technologies such as Internet, e-mails, mobile terminals, text message, and call centers to create a comprehensive multi-channel marketing service and trading system.

#### (III) Possessing one of the largest client bases in the industry

The Company has a large, stable and ever-growing client base. As at the End of the Reporting Period, the Company had 9,700,000 brokerage clients, representing an increase of 10.6% as compared with 2016. The investment banking business has served over 350 corporate clients. Benefitted from its client base, the Company has significant potential for cross-selling among its business lines, which helps it rapidly capture opportunities for the development of new businesses.



## SECTION III COMPANY BUSINESS OVERVIEW

### (IV) Leading investment banking expertise

The investment banking business system of the Company has been improving. For the equity financing business, the Company has earned the trust and recognition from clients for its consistently high-quality and distinctive services. For the bond financing business, based on its experience in the relevant industries and products as well as its in-depth understanding of investors' needs, the Company has developed professional pricing capability.

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

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



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### I. MANAGEMENT DISCUSSION AND ANALYSIS

#### (I) Overall operation

2017 was the first year for the Company's three-year strategic transformation as well as the year for overall layout. By virtue of the joint efforts of all staff, the Company has promptly conformed with the new tightening regulatory environment to position its new business model of "Dual-wheel Drive and Coordinated Development" based on its strategic objective of "building a carrier securities broker and a modern investment bank". Also, it has established the organization system of big brokerage, big investment banking, big asset management, big investment and research institute, formed business committees, and made notable adjustment to the operating mechanism. The implementation and management of 15 key projects have been fully started and advanced. The Company has successfully completed the listing of A Shares and H Shares, made significant progress in overseas acquisitions and mergers, actively fulfilled its corporate social responsibilities and achieved its performance targets for the year with remarkable results. During the year, no major risk issue has arisen. The Company has regained the AA rating in the classified rating for securities companies. As at the End of the Reporting Period, the Group's total assets amounted to RMB254.815 billion and equity attributable to owners of the Company amounted to RMB64.513 billion. During the Reporting Period, the Group achieved operating revenue of RMB15.986 billion, representing a year-on-year decrease of 13.14%; net profit attributable to owners of the Company amounted to RMB3.981 billion, representing a year-on-year decrease of 22.76%; and weighted average return on net assets was 6.33%, representing a year-on-year decrease of 2.64 percentage points.

#### (II) Analysis of Major Business

##### 1. Brokerage, sales and trading business

###### (1) Securities brokerage

During the Reporting Period, the Group's securities brokerage business recorded revenue and other income of RMB11.172 billion, representing a year-on-year decrease of 10.71%, which was mainly due to the decrease in trading volume of A shares market and the decline in brokerage commission rate.

###### Market environment

In 2017, strict regulation in the industry continued, and the market fluctuated within a narrow range. Securities trading volume further decreased. Industry brokerage commission rate continued its decline as a result of fierce competition in the traditional securities brokerage business. According to the data from SSE and the SZSE, daily share trading volume in the market amounted to RMB457.4 billion, representing a year-on-year decrease of 12.43%, and the average share brokerage commission rate was 0.036%, representing a year-on-year decrease of 11.4%. With the steady increase in the size of margin financing and securities lending and continuing rapid growth of share pledge, daily size of margin financing and securities lending during the Reporting Period amounted to RMB934.6 billion, representing an increase of 4.24% year on year. As at the End of the Reporting Period, the size of share pledge amounted to RMB1,642.8 billion, representing an increase of 34% as compared with that of last year.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Operation initiatives and results

For brokerage business, amid the difficult market environment in 2017, the Company adhered to its service philosophy of “Customers’ interest first”, and its sales and service capability significantly improved. During the Reporting Period, the Company sold and held financial products in the amount of over RMB100 billion, which has become an important source of income of the Company. Through improving the supply of fixed income products and fund investment plans, the Company guided investors to conduct reasonable asset allocation in order to promote the preservation and appreciation of the value of customer assets. The Company focused on the development of quantitative trading platforms, mainly Apama, and vertex VIP high-speed trading channels and improving the expertise and service capability of quantitative personnel of its branches. Its ability to develop and serve institutional customers has been significantly enhanced. The Company actively introduced institutional and product customers into its stock options and Hong Kong Stock Connect business, optimized the customer structure of its options business, and expanded the coverage of its customer investment education services. During the Reporting Period, the Company obtained 16,000 new Hong Kong Stock Connect customers, representing a year-on-year increase of 43% as compared with the number of new accounts last year. The Company’s market share in respect of trading in the Hong Kong Stock Connect business was 2.56%, representing a year-on-year increase of 6.5%. As at the End of the Reporting Period, the Company had a total of 22,300 stock options brokerage business customers, representing a year-on-year increase of 24.04% and a market share of 8.66% in terms of account opening number, which ranks No. 1 in the industry. Its option trading volume on the market was 5,965,400, representing a year-on-year increase of 147.69% and a market share of 2.77%, which ranked sixth in the industry in 2017, up from twelfth in 2016. The assets under management for option brokerage business of the Company were RMB229 million, representing a year-on-year increase of 12.25%, with total equity of customers of RMB42.447 billion.

For the margin financing and securities lending business, as at the End of the Reporting Period, the Company’s balance of margin financing and securities lending was RMB57.029 billion, which had a market share of 5.56% and ranked fourth in the industry (in terms of consolidated figures for securities companies), two places higher than that as at the end of 2016. The Company conducted targeted marketing, supervision and services by region through promoting innovative trading strategies for margin financing and securities lending and targeting substantial shareholders of listed companies, professional institutional investors and high net-worth customers. During the Reporting Period, the Company’s balance of margin financing and securities lending increased by RMB6.523 billion, representing 11.44% of total balance of margin financing and securities lending. The Company conducted special marketing campaigns for opening accounts for margin financing and securities lending of institutional clients, and obtained 205 new valid institutional clients, with new client assets in the amount of RMB10.5 billion during the Reporting Period. The Company strengthened its securities lending source services to meet customers’ needs for special trading strategies. During the Reporting Period, the Company obtained new ETF securities source in the amount of RMB500 million with its self-owned funds, borrowed securities from margin and securities refinancing in the total amount of RMB1.07 billion with securities lending trading volume of RMB5.3 billion, contributing to the completion of 80% of the balance of targeted marketing of margin financing and securities lending.

For dealer-quoted securities repurchase business, the Company fully mobilized regional clients and listed companies resources to obtain accurate feedbacks, improve due diligence, implement strict risk control and improve project efficiency. As a result, its comprehensive service capability has been significantly improved and its business size recorded fast growth. As at the End of the Reporting Period, according to the data from SSE and the SZSE, the Company’s balance of dealer-quoted securities repurchase was RMB49.404 billion, with industry ranking raised to the 10th place as at the end of 2017 from the 20th place as at the end of 2016.





## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

For research business, the Company established the Galaxy Academy, which is positioned as a think tank of the Company responsible for strategic planning, business arrangement and function optimization of the Company; the research and analysis of competitors of the Company and its business lines; buyer and seller research and corporate training. During the Reporting Period, the Company strengthened the management of its research business, optimized the development of analyst teams, achieved the sharing of research resources and contents with Galaxy International Holdings, further improved research quality, specified new standards and rules for the quality requirements of research reports, and established a compliance review and internal reporting mechanism for research reports.

For institutional sales and trading business, the Company enriched service content and improved service quality through enhanced small roadshow and reverse roadshow efforts and carrying out small special activities with clients. It achieved remarkable results in developing strategic QFII institutional clients and introduced the assets of institutional clients in the amount of RMB2.5 billion. It accelerated the development of private equity business for wholly-foreign-owned private enterprises ("WFOE"), and completed the first order of WFOE business for securities companies in the PRC. A new business model and new source of profit growth has started to take shape. As at the End of the Reporting Period, the Company had 14 contracted QFII and RQFII clients, 2 Shanghai-Hong Kong Stock Connect clients and 3 new WFOE clients.

### **Challenges and prospects for 2018**

For brokerage business, it is expected that in 2018 the stock market will stabilize in general, with steady growth of stock indexes and gradual recovery of trading volume. For traditional brokerage business, new capital brought by institutions will increase stock trading volume, and steady growth of indexes will boost trading activities. The consensus in the industry on a minimum limit for brokerage commission rate will gradually become shaped. For credit business, market risk appetite will be improved, the size of margin financing and securities lending will steadily increase, price competition for margin financing and securities lending will intensify, and the base of clients with strong bargaining power will further expand. As one of the cash flow adjustment channels for listed companies, dealer-quoted securities repurchase transaction is still in an upward trend and its size is expected to grow. The promulgation of new regulations for asset management business will somehow limit the financing channels for asset management business of securities companies. For institutional sales and trading business, the market competition among sub-position of funds, insurance asset management, QFII and RQFII will become more intense, and the Company needs to further enhance its research strengths and customer services, improve coordination and synergies and strengthen the systematicness of business innovation.

### **(2) Futures brokerage**

#### **Market environment**

Due to thin trading volume of stock index futures and weak demand for commodities, the trading volume in the futures market (one side of a trade only) in 2017 amounted to RMB187.89 trillion, representing a year-on-year decrease of 3.95%. However, the trend of steady growth remained unchanged. White sugar options and soybean meal options were launched as the first batch of commodity options, and the trading of cotton futures and apple futures successively commenced. The gradual improvement in the price discovery function of the futures market has injected new impetus for the futures to serve agriculture, rural areas and farmers and real economy.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Operation initiatives and results

By relying on the combination of investment and research and starting with institutional clients, Galaxy Futures optimized its branch network to activate existing clients and develop new clients, vigorously developed asset management business focusing on products under active management, and strived to transform from traditional channel business into comprehensive wealth management business based on risk management ability. During the Reporting Period, with the increase in the interest and capital yield of clients, interest income increased. Galaxy Futures realized revenue and other income of RMB850 million, representing an increase of 12.67% as compared with 2016. Daily average interest of customers amounted to RMB16.594 billion, one-side trading volume amounted to 72 million board lots and turnover amounted to RMB4.38 trillion. The rating of Galaxy Futures was AA of A rating in the classification and evaluation of futures companies by the CSRC.

### Challenges and prospects for 2018

In 2018, the black metal sector, non-ferrous metal sector and chemical sector with crude oil as a link will become hot focuses in the market, and the prices of agricultural products will fluctuate within a narrow range. The crude oil futures and copper options, which will be launched soon, will drive further expansion in the futures market. The OTC business, mainly OTC options, will become one of the hot spots pursued by futures companies. Galaxy Futures will make full use of its existing strengths in commodity options, leverage OTC options, and start with the combination of futures and spot trading and OTC business, in order to provide customers with personalized commodity pricing and risk management products and enhance its overall competitiveness.

### (3) Asset management

#### Market environment

In 2017, due to the change in regulatory policies, the year-on-year growth of the market size of the asset management industry continued to decline, and the revenue growth rate remained at a low level. The product innovations and development pace significantly slowed. The size of assets under management in the industry amounted to RMB17.3 trillion, representing a year-on-year decrease of 0.7%. Net income from the asset management business amounted to RMB31.02 billion, representing a year-on-year increase of 4.3%.

#### Operation initiatives and results

In order to support the business development of Galaxy Jinhui, the asset management subsidiary of the Company, and effectively relieve its pressure for net capital regulatory indicators, the Company increased the capital of Galaxy Jinhui by RMB500 million in April 2017. In August 2017, the Board considered and approved the proposal for further increase of capital of Galaxy Jinhui by RMB1 billion, and also increased the net capital guarantee to Galaxy Jinhui by RMB2 billion. During the Reporting Period, Galaxy Jinhui actively built an investment and research system, strengthened product innovations, and improved its active management ability. It actively developed institutional clients, and established a multi-level client management system, with over 120 new financial institution partners. The size of and revenue from assets under management both recorded considerable growth. As at the End of the Reporting Period, the assets under management of Galaxy Jinhui amounted to RMB337.532 billion, representing an increase of 52.4% as compared with the end of 2016. Its industry ranking raised by 11 places to the 13th place from the 24th place as at the end of 2016. Among them, the size of collective asset management business amounted to RMB38.128 billion, the size of targeted asset management business amounted to RMB289.558 billion, and the size of special asset management business amounted to RMB9.847 billion. It had 375 management products (63 collective products, 304 targeted products and 8 special products).



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Challenges and prospects for 2018

The new regulations on asset management require that financial institutions shall not provide channel services for asset management products of other financial institutions to circumvent regulatory requirements such as investment scope and leverage constraints. In the future, the asset management industry will return to its original path. Galaxy Jinhui will continue to implement its steady active management investment strategies and effectively improve its active management ability. In addition to consolidating and developing its scale advantages of existing currency, pure debt and mixed fixed income products, it will also form large-scale operation of active management equity products with FOF products as the key.

### 2. Investment banking business

During the Reporting Period, the Group's investment banking business recorded revenue and other income of RMB521 million, representing a decrease of 52.30% as compared with 2016, mainly due to the previously weak project pipeline and the gradual depletion of liquid capital of the New OTC Board.

#### (1) Equity financing and financial advisory

##### Market environment

Thanks to the continuously active small-and medium-sized enterprises and the accelerated new share listing review in the PRC, the number of IPOs recorded a new high and refinancing gradually recovered in 2017. The size of underwriting for IPOs amounted to RMB230.4 billion, representing a year-on-year increase of 53.2%, and the size of underwriting for follow-up offerings amounted to RMB1,270.5 billion, representing a year-on-year decrease of 24.8%.

##### Operation initiatives and results

The Company continued consolidating and expanding its traditional sponsorship and underwriting business and solidifying its IPO business. It grasped current market opportunities to explore business opportunities in corporate bonds, convertible bonds and green bonds. It expanded its project pipelines, and actively explored the potential of more integration of its innovative businesses into its private placements, investment, mergers and acquisitions and other businesses. During the Reporting Period, according to WIND Information, the Company completed three IPO projects with a total underwriting amount of RMB1.232 billion, and one restructuring merger and acquisition with fund-raising project. The amount of payment for purchase of assets through issue of shares was RMB1.866 billion, and the total relevant fund-raising amount was RMB690 million. The amount of equity securities underwritten by the Company as a lead underwriter was RMB3.788 billion.

### Challenges and prospects for 2018

Under the guiding policies of increasing the percentage of primary financing and regulated industry development, the primary market showed signs of recovery, and the income structure of the investment banking business has gradually become diversified. The Company will give its resource advantages in full play to seize the opportunities arising from state-owned enterprise reform by serving as a financial advisor for state-owned enterprises and local government state-owned assets platforms. Also, responding to the Made in China 2025 strategy, the Company will be dedicated to the manufacturing entities and green finance to support the transformation and upgrade of the manufacturing industry and green development of the PRC. The Company will carry out cross-border operations and accelerate the internationalization process through the overseas business of Galaxy International Holdings and CIMB Group Sdn Bhd.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### (2) Bond financing

#### Market environment

In 2017, in the context of deleveraging and risk prevention, the market credit risk premium faced upward pressure. Ten-year treasury bond rate increased by 78 bp, and five-year AAA corporate bond rate increased by 153 bp. The total issue size of various bonds (excluding interbank deposits) was RMB20.64 trillion, representing a year-on-year decrease of 11.55%, of which the total issue size of credit bonds (excluding treasury bonds, policy bank financial bonds and local government bonds) was RMB8.96 trillion, representing a year-on-year decrease of 17.60%.

#### Operation initiatives and results

The Company continued consolidating and expanding its traditional bond underwriting business, and actively participated in the construction and innovation of bond market infrastructure. It made new attempts in promoting the healthy and orderly development of the green industry, serving green enterprises and building a green financial system, and was recognized as an “Outstanding Underwriter for China Bond Green Bond Index Constituent Bonds” by China Central Depository & Clearing Co., Ltd. in 2017. During the Reporting Period, the Company underwrote a total of 98 various credit bonds, representing a year-on-year increase of 42.03%, and its underwriting amount was RMB71.481 billion, representing a year-on-year decrease of 13.56%.

#### Challenges and prospects for 2018

The core competitiveness of bond underwriting business will be more reflected in the product design capability and sales ability. The Company will enhance its awareness of innovations of product lines, further enrich its bond product offerings, and accelerate innovations in bond market products based on market needs. It will continue to strengthen the development of client service system and improve the overall client services. It will leverage its large branch network to establish a multi-level sales system and further improve its sales capability.

### (3) New OTC Board

#### Market environment

With the promulgation of division and trading system reform measures for the New OTC Board, some of the real problems hindering the market development are gradually solved, and the path of reform for the New OTC Board has become increasingly clear, which will play a positive role for promoting the vitality of the market. The development of the New OTC Board has shown a dynamic balance. In 2017, the number of listed companies on the New OTC Board was 2,147, representing a year-on-year decrease of 57.5%, and the amount of shares issued was RMB133.625 billion, representing a year-on-year decrease of 3.73%.

#### Operation initiatives and results

The Company continued to improve the business structure of the New OTC Board, strengthened the development of risk control system, fully leveraged on its advantages from network and customer base, and progressively built up and optimized the development of synergy among different chains within the businesses of the New OTC Board. During the Reporting Period, the Company completed 16 new listings on the New OTC Board, representing a decrease of 28 as compared with 2016, and 10 share issuances on the New OTC Board, representing a decrease of 10 as compared with 2016, with the funds raised by listed companies amounting to RMB945 million, representing a decrease of 53.38% as compared with 2016. There were 3 new online market making projects, representing a decrease of 29 as compared with 2016.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Challenges and prospects for 2018

In 2018, the New OTC Board may experience fundamental opportunities for reform. In order to provide better services for listed project issuers while keeping a close eye on and controlling project quality, the Company will gradually promote the transformation and upgrading of its New OTC Board business.

### 3. Investment management business

#### (1) Proprietary trading and other securities trading services

As a result of the new industry regulations on shareholding reduction, the Company failed to realize its holdings in private placement as scheduled, and the income performance was not good as expected. The market entered a period of “bull bond market with high capital cost”, and the Company’s bond investment business recorded slight decline. The Company’s derivative business recorded thinner profit and lower profit margin. During the Reporting Period, the Group’s proprietary trading and other securities trading services recorded revenue and other income of RMB1.922 billion, representing a decrease of 25.34% as compared with 2016.

#### Market environment

In 2017, the price of weighted stocks increased, resulting in a slight upward trend in the market. The market showed a feature of varied performance. Out of the 3,031 stocks excluding the stocks newly listed in the year, 698 or 23.03% recorded share price increase. In view of the tightening industry regulations, monetary policies and credit, the yields on the bond market soared.

#### Operation initiatives and results

##### ① Equity investment

During the Reporting Period, the Company strengthened its operation in the secondary market, and captured limited opportunities to strive to realize the investment income from targeted offering securities for which the lock-up period has expired. For strategies, the Company conducted comprehensive analysis in areas such as low valuation, high growth, high dividend and long-term trading volume reverse, and stuck to its philosophy of value investment. The Company continued to focus on the research of listed companies, visited and investigated a number of listed companies to provide support for its investment decision-making.

##### ② Bond investment

During the Reporting Period, the Company’s dealer-quoted bond repurchase business (“Daily Profits” (天天利)) continued to maintain its leading position in the industry, with business size and customer number remaining No. 1 in the industry. As at the End of the Reporting Period, the outstanding balance of Daily Profits was RMB5.334 billion. The number of investors was 466,900.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### ③ Derivatives investment

For the proprietary derivative trading and investment business, the Company overcame the impact of the market downturn, launched business of OTC options and provided high net-worth clients with liquidity support in order to meet their diversified needs for investment, hedging and trading. The Company actively participated in the “OTC Options Pilot” of the Dalian Commodity Exchange in 2017. It filed and obtained approval for an iron ore project, and utilized innovative OTC option business to serve real economy. The Company firstly introduced its ETF fund liquidity services business in the PRC securities industry. In the liquidity service ratings held by the SSE in 2017, 13 funds of the Company participated in the ratings, 12 of which were rated as A or above. As at the End of the Reporting Period, the balance of the dealer-quoted repurchase business on the SZSE (the product “Jin Zi Lai” (“金自來”)) was RMB1.306 billion.

### Challenges and prospects for 2018

In 2018, the Company will continue to enhance its research of selection of and trading in the shares in the secondary market, and explore the allocation methods and trading strategies for other trading products. For the bond investment business, the Company will closely follow the macroeconomic variables and economic policies, forecast the trend of future interest rate changes, and capture allocation and short-term opportunities. For the derivative investment business, the Company will actively expand OTC options business and enlarge its income certificate product offerings to ensure the smooth operation of the market making of listed funds, futures and spot profiting and Shenzhen-based dealer-quoted repurchase business (the product “Jin Zi Lai” (“金自來”)).

## (2) Private equity investment

### Market environment

In 2017, private equity funds in the PRC recorded rapid growth. As at the end of 2017, 22,446 private equity managers were registered with the Asset Management Association of China, representing a year-on-year increase of 28.76%; 66,418 private equity funds were filed, representing a year-on-year increase of 42.82%; the size of funds under management amounted to RMB11.1 trillion, representing a year-on-year increase of 40.68%. In addition, with the promulgation of a series of rules such as the Management Rules for Private Equity Investment Fund Subsidiaries of Securities Companies (證券公司私募投資基金子公司管理規範) and the Compliance Management Measures for Securities Companies and Securities Investment Fund Managers (證券公司和證券投資基金管理公司合規管理辦法), the securities companies direct investment business is under rectification and transformation.

### Operation initiatives and results

Galaxy Capital completed the rectification of private equity management subsidiaries in accordance with regulatory requirements, and had obtained the approval for joint mechanism review of the regulatory authorities as at the End of the Reporting Period. As a result of the requirements that no new business shall be conducted during the period of rectification, during the Reporting Period, Galaxy Capital focused on the investment in Galaxy Yueke Fund. It completed the review and approval for 4 projects, and investment in 3 of them had been completed with an investment amount of RMB131 million. In addition, Galaxy Capital continued to strengthen post-investment management, and completed the exit from two existing investment projects financed with its own funds.

In 2017, as a result of the regulatory policy adjustment, Galaxy Capital recorded operating income of RMB106 million, representing a decrease of 27.40% as compared with 2016.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Challenges and prospects for 2018

The LP structure in the PRC gradually became diversified and the percentage of institutional LP gradually recovered, with growing size in general. The rapid growth of mergers and acquisitions and the division and reform measures for the New OTC Board resulted in the improvement in liquidity. The Provisional Regulations for the Management of Private Equity Investment Funds (私募投資基金管理暫行條例) will be formally promulgated, which will further streamline the regulatory system. Galaxy Capital will carry out rectification and filings in compliance with the requirements of the regulatory authorities, continue to promote the equity investment business based on the Guangdong Galaxy Yueke Fund equity investment platform, and take the opportunity to promote new businesses such as mergers and acquisitions funds and debt investment funds.

### (3) Alternative asset investment

#### Market environment

In accordance with the requirements of the Management Rules for Alternative Investment Subsidiaries of Securities Companies (證券公司另類投資子公司管理規範), the business models of all alternative investment subsidiaries were all changed to investment with self-owned funds. Due to the restraints imposed by regulatory policies and capital size, alternative investment subsidiaries often carried out cooperation on high-quality projects through joint investment.

#### Operation initiatives and results

Galaxy Yuanhui focused on equity investments and financial product investments. On 11 April 2017, the Company made a capital contribution of RMB1.15 billion to Galaxy Yuanhui, which increased its registered capital from RMB350 million to RMB1.5 billion. Galaxy Yuanhui actively conducted rectifications in accordance with the management rules for alternative investment subsidiaries. Due to its relatively short operating history and great efforts into business operation in compliance with the rules, the rectification work recorded smooth progress. During the Reporting Period, Galaxy Yuanhui optimized its asset allocation. In addition to the existing primary market equity investment business and financial product investment business, it started to carry out intermediate market investment business and achieved operating income of RMB60 million, representing an increase of 445.45% as compared with 2016.

### Challenges and prospects for 2018

The continuous control of regulatory policies on structured products affected the existing intermediate market investment models of alternative investment companies. Galaxy Yuanhui will lay a solid foundation, strictly control risks, actively make use of the functions of the comprehensive financial services platform, the innovative business investment platform, the assets value preservation and appreciation platform and the business resources coordination platform, and pave the way for the subsequent development.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### 4. Overseas business

#### Market environment

The Hang Seng Index closed at 29,919.15 points as at the end of 2017, up 36% from the end of 2016. As at the end of 2017, the total market capitalization of the securities market was HK\$34 trillion, reaching a new record high and representing a year-on-year increase of 37%. Daily average trading volume was HK\$88.2 billion, representing a year-on-year increase of 32%. In 2017, the total financing amount in the Hong Kong securities market was HK\$579.9 billion, representing an increase of 18% from HK\$490.1 billion from 2016.

#### Operation initiatives and results

During the Reporting Period, to cope with China's "Belt and Road Initiative" development strategy and the Company's plan to accelerate overseas business development, the Company actively expanded its business in the ASEAN (Association of Southeast Asian Nations) region. On 6 June 2017, through careful due diligence and negotiations and subsequent to the non-legal binding term sheet signed on 17 October 2016, Galaxy International Holdings and CIMB Group Sdn Bhd further entered into a share sale and purchase agreement in relation to the shares of CIMB Securities International Pte. Ltd.. Upon completion of the transaction, the overseas business platform of the Company will extend to eight countries other than Hong Kong, including Malaysia, Singapore, Indonesia, Thailand, India, South Korea, the United States and the United Kingdom. Galaxy International Holdings strived to diversify its sources of income to strengthen its ability to withstand market cycles. While consolidating its three traditional revenue-generating businesses, being brokerage business, financing business and investment banking business, its proprietary trading business and fixed income business both recorded considerable progress, and all business maintained steady operation. During the Reporting Period, Galaxy International Holdings achieved revenue and other income of RMB472 million, representing an increase of 8.79% as compared with 2016.

#### Challenges and prospects for 2018

With the introduction of Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and potential business opportunities arising from China's "Belt and Road Initiative", Chinese securities companies accelerated the expansion of business presence in Hong Kong, which intensifies the competition. In 2018, Galaxy International Holdings will continue to consolidate its profitability, adjust its business model in a dynamic manner, continue to strengthen diversified business presence and risk control and the development of the risk control system and rules, so as to ensure its long-term sustainable development.





## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### II. ANALYSIS OF MAJOR OPERATION DURING THE REPORTING PERIOD

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

2017 was the first year for the Company's three-year strategic transformation as well as the year for overall layout. By virtue of the joint efforts of all staff, the Company has promptly conformed with the new tightening regulatory environment to position its new business model of "Dual-wheel Drive and Coordinated Development" based on its strategic objective of "building a carrier securities broker and a modern investment bank". Also, it has established the organization system of big brokerage, big investment banking, big asset management, big investment and research institute, formed business committees, and made notable adjustment to the operating mechanism. The implementation and management of 15 key projects have been fully started and advanced. The Company has successfully completed the listing of A Shares and H Shares, made significant progress in overseas acquisitions and mergers, actively fulfilled its corporate social responsibilities and achieved its performance targets for the year with remarkable results. During the year, no major risk issue has arisen. The Company has regained the AA rating in the classified rating for securities companies.

In 2017, the Group realized revenue and other income of RMB15.986 billion, representing a decrease of 13.14% as compared with 2016; the realized net profits attributable to shareholders of the Company of RMB3.981 billion, representing a decrease of 22.76% as compared with 2016; the Group realized earnings per share of RMB0.39, representing a decrease of 27.78% as compared with 2016, and the weighted average return on net assets amounted to 6.33%, representing a decrease of 2.64 percentage points as compared with 2016.

#### (ii) Asset structure and quality

As at the end of 2017, total assets of the Group amounted to RMB254.815 billion, representing an increase of 3.63% from RMB245.881 billion as at the end of 2016; total liabilities amounted to RMB189.929 billion, representing an increase of 1.28% from RMB187.527 billion as at the end of 2016; equity attributable to shareholders of the Company amounted to RMB64.513 billion, representing an increase of 11.25% from RMB57.989 billion as at the end of 2016.

Asset structure remained stable while asset quality and liquidity remained satisfactory. In 2017, compositions of the Group's total assets were: cash assets of RMB78.117 billion, mainly including bank balances, clearing settlement funds and transaction deposits, accounting for 30.66%; financing assets of RMB98.320 billion, mainly including advances to financing customers and financial assets held under resale agreements, accounting for 38.58%; financial investment assets of RMB71.623 billion, mainly including investments in financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and derivative financial assets, accounting for 28.11%; and operational assets such as other properties and equipment of RMB6.755 billion, mainly including property and equipment, other intangible assets and accounts receivable, accounting for 2.65%. 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 increased from the beginning of the year. In 2017, the Company completed the issue of additional A Shares to replenish the capital of the Company, and also issued corporate bonds and other debt financing instruments. As at the end of 2017, the gearing ratio of the Group was 65.85%, representing an increase of 3.38 percentage points as compared with 62.47% as at the end of 2016. (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)); operating leverage ratio was 2.95 times, representing an increase of 9.86% as compared with 2.68 times as at the beginning of 2017. (Note: operating leverage ratio = (total assets – account payable to brokerage clients)/equity attributable to owners of the Company).



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### (iii) Financing channels and capability

The Company maintained a long-term and stable financial policy, focusing on liquidity management of assets and guaranteeing a smooth financing channel. Currently, the Company raised short-term funding primarily by means of inter-bank lending, issuance of short-term notes 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.

As at the End of the Reporting Period, line of credit granted to the Company amounted to approximately RMB305.2 billion; the cap of borrowing for national inter-bank lending business approved by the People's Bank of China amounted to RMB20 billion; cap for dealer-quoted bond repurchase transactions in interbank bond market amounted to RMB7.62 billion.

### (iv) Cash flow

Excluding the change in margin deposit of clients, cash and cash equivalents increased by RMB1,015 million from the end of last year due to the fact that the cash inflow from the Group's financing activities in the Reporting Period was more than the cash outflow by operating activities and investing activities.

Net cash flow from operating activities decreased by RMB46.882 billion to RMB-30.540 billion in 2017 from RMB16.342 billion for the same period of 2016; net cash flow from investing activities decreased by RMB4.828 billion to RMB-358 million in 2017 from RMB-5.186 billion for the same period of 2016; net cash flow from financing activities increased by RMB43.748 billion to RMB32.163 billion in 2017 from RMB-11.585 billion for the same period of 2016; net increase in cash and cash equivalents increased by RMB1.693 billion to RMB1.265 billion in 2017 from RMB-428 million for the same period of 2016.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### (v) Operating revenue and profit analysis

#### 1. Items of income statement

##### SUMMARY RESULTS OF OPERATIONS

In 2017, the Group realized profit before income tax of RMB4.809 billion, representing a decrease of 26.88% as compared with 2016. Main financial details are listed as follows:

Unit: RMB in million

Item	2017	2016	Change	Year-on-year growth rate
<b>Revenue</b>				
Commission and fee income	<b>6,355.1</b>	7,987.2	-1,632.1	-20.43%
Interest income	<b>7,344.0</b>	7,302.0	42.0	0.58%
Net investment gains	<b>2,256.4</b>	3,021.0	-764.6	-25.31%
Total revenue	<b>15,955.5</b>	18,310.2	-2,354.7	-12.86%
Other income, gains and losses	<b>30.4</b>	92.9	-62.5	-67.28%
<b>Total revenue and other income</b>	<b>15,985.8</b>	18,403.1	-2,417.3	-13.14%
Total expenses	<b>(11,177.2)</b>	(11,826.5)	649.3	-5.49%
Profit before income tax	<b>4,808.7</b>	6,576.6	-1,767.9	-26.88%
Income tax expense	<b>(789.7)</b>	(1,391.2)	601.5	-43.24%
<b>Profit for the year</b>	<b>4,019.0</b>	5,185.4	-1,166.4	-22.49%
Net profit attributable to owners of the Company	<b>3,980.7</b>	5,153.5	-1,172.8	-22.76%

##### Revenue breakdown

In 2017, the Group's total revenue and other income decreased by 13.14% to RMB15.986 billion as compared with 2016. Among others, commission and fee income accounted for 39.75%, representing a decrease of 3.65 percentage points as compared with 2016; interest income took up 45.94%, representing an increase of 6.26 percentage points as compared with 2016; net investment gains accounted for 14.12%, representing a decrease of 2.30 percentage points as compared with 2016. Breakdown of the Group's revenue for the recent five years is listed as follows:

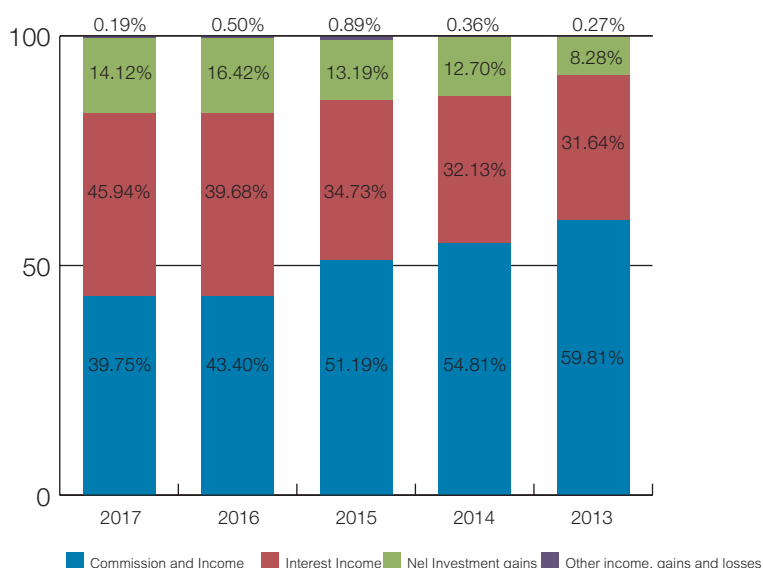
Item	2017	2016	2015	2014	2013
Commission and fee income	<b>39.75%</b>	43.40%	51.19%	54.81%	59.81%
Interest income	<b>45.94%</b>	39.68%	34.73%	32.13%	31.64%
Net investment gains	<b>14.12%</b>	16.42%	13.19%	12.70%	8.28%
Other income, gains and losses	<b>0.19%</b>	0.50%	0.89%	0.36%	0.27%
<b>Total</b>	<b>100.00%</b>	100.00%	100.00%	100.00%	100.00%



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

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



From the perspective of change in revenue breakdown, the ratio of revenue from the Company's light-capital business which mainly generates commissions and fee income has been decreasing gradually year-on-year while the ratio of revenue from the Company's heavy-capital business which mainly generates interest income and net investment gains has been increasing gradually year-on-year. This reflects the fact that the result of the Company's transformation in development has becoming successful and the Company's revenue breakdown is gradually balancing out.

### Commission and fee income

Breakdown of the Group's commission and fee income in 2017 is listed as follows:

Unit: RMB in million

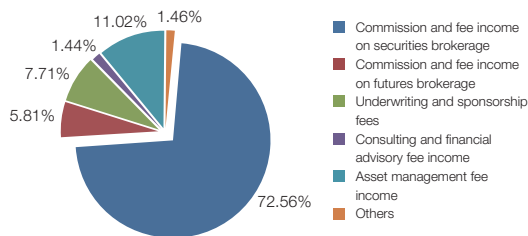
Item	2017	2016	Change	Year-on-year growth rate
<b>Commission and fee income</b>				
Commission and fee income on securities brokerage	<b>4,611.3</b>	5,994.4	-1,383.1	-23.07%
Commission and fee income on futures brokerage	<b>369.5</b>	381.1	-11.6	-3.04%
Underwriting and sponsorship fees	<b>490.0</b>	930.6	-440.6	-47.35%
Consulting and financial advisory fee income	<b>91.7</b>	136.5	-44.8	-32.82%
Asset management fee income	<b>700.1</b>	453.1	247.0	54.51%
Others	<b>92.5</b>	91.6	0.9	0.98%
<b>Total commission and fee income</b>	<b>6,355.1</b>	7,987.2	-1,632.1	-20.43%
<b>Commission and fee income expense</b>	<b>269.9</b>	279.3	-9.4	-3.37%
<b>Net commission and fee income</b>	<b>6,085.2</b>	7,707.9	-1,622.7	-21.05%



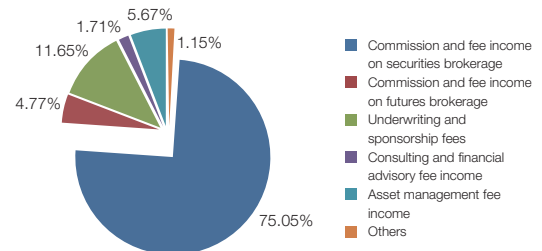
## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Set out below is the breakdown of the Group's commission and fee income in 2017 and 2016:

Breakdown of commission and fee income in 2017



Breakdown of commission and fee income in 2016



In 2017, the Group's net commission and fee income amounted to RMB6.085 billion, representing a decrease of 21.05% as compared with 2016, which was mainly due to a decrease in the commission and fee income on securities brokerage.

Commission and fee income on securities brokerage decreased by RMB1.383 billion or 23.07% as compared with 2016, which was mainly due to the decline in daily average trading volume of stocks and funds in the China stock market in 2017, resulting in a decline in average commission rate and decrease in fee and commission income on securities brokerage business.

Underwriting and sponsorship fee income of investment banking business decreased by RMB441 million or 47.35% as compared with 2016, which was primarily due to a decrease in the size of shares and corporate bonds underwritten by the Company in 2017.

Consulting and financial advisory fee income of investment banking business decreased by RMB45 million or 32.82% as compared with 2016, which was mainly due to a decrease in the scale of the consulting and financial advisory business of the Company.

Commission and fee income of asset management business increased by RMB247 million or 54.51% as compared with 2016, which was primarily due to a significant increase in the amount of asset under management of asset management business.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Interest income

In 2017, the Group realized net interest income of RMB7.344 billion, representing an increase of 0.58% as compared with 2016. Breakdown of the Group's net interest income in 2017 is listed as follows:

Unit: RMB in million

Item	2017	2016	Change	Year-on-year growth rate
<b>Interest income</b>				
Deposits and bank balances with exchanges and non-bank financial institutions	<b>1,989.8</b>	2,539.3	-549.5	-21.64%
Advances to financing customers and securities lending	<b>4,196.8</b>	4,380.0	-183.2	-4.18%
Financial assets held under resale agreements	<b>1,157.4</b>	382.8	774.6	202.35%
<b>Total interest income</b>	<b>7,344.0</b>	7,302.0	42.0	0.58%
<b>Interest expenses</b>	<b>4,357.6</b>	4,840.3	-482.7	-9.97%
<b>Net interest income</b>	<b>2,986.4</b>	2,461.7	524.7	21.31%

Interest income of financial assets held under resale agreements saw a year-on-year increase of RMB775 million or 202.35%, which was mainly due to the significant increase of scale of dealer-quoted securities repurchase as compared to last year.

Interest income from deposits and bank balances with exchanges and non-bank financial institutions decreased by RMB550 million or 21.64% as compared with 2016, which was primarily due to the decrease in the size of client margin deposits.

Interest income from advances to financing customers and securities lending decreased by RMB183 million or 4.18% as compared with 2016, which was primarily due to the decrease in the daily average scale of margin financing and securities lending business and the financing interest rates.

Interest expenses decreased by RMB483 million or 9.97% as compared with 2016, mainly due to the decrease in interest expenses payable to clients as a result of the decrease in the size of client margin deposits in 2017, and the decrease in financing interest expenses as a result of the decrease in financing costs of bonds in issue in 2017 as compared with 2016.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Net investment gains

In 2017, the Group realized net investment gains of RMB2.256 billion, representing a decrease of 25.31% as compared with 2016. Breakdown of the Group's net investment gains in 2017 is listed as follows:

Unit: RMB in million

Item	2017	2016	Change	Year-on-year growth rate
<b>Investment income/(loss) from the following items</b>				
Available-for-sale financial assets	<b>1,571.9</b>	1,899.6	-327.7	-17.25%
Financial assets at fair value through profit or loss	<b>449.6</b>	374.7	74.9	19.99%
Derivatives	<b>81.8</b>	514.0	-432.2	-84.09%
Held-to-maturity investments	<b>43.2</b>	0.0	43.2	N/A
Others	<b>109.9</b>	232.7	-122.8	-52.77%
<b>Total</b>	<b>2,256.4</b>	3,021.0	-764.6	-25.31%

The investment income from available-for-sale financial assets decreased by RMB328 million or 17.25% as compared with 2016, mainly due to the larger volatility in the stock market in 2017, resulting in the decrease in yield rate of available-for-sale financial assets.

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

Other investment gains are mainly caused by fluctuations in investment income designated as investment in receivables and financial assets at fair value through profit or loss.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Operating expenses

In 2017, the Group's operating expenses (aside from fee and commission expenses and interest expenses) amounted to RMB6.550 billion, representing a decrease of 2.34%. Main compositions of the Group's operating expenses in 2017 are listed as follows:

Unit: RMB in million

Item	2017	2016	Change	Year-on-year growth rate
<b>Operating expenses</b>				
Depreciation and amortization	216.5	201.5	15.0	7.44%
Staff costs	4,100.5	4,427.2	-326.7	-7.38%
Other operating expenses	1,550.6	1,825.6	-275.0	-15.06%
Impairment losses	682.1	252.5	429.6	170.14%
<b>Total</b>	<b>6,549.7</b>	6,706.8	-157.1	-2.34%

Depreciation and amortization increased by RMB15 million or 7.44% as compared with 2016, which was primarily due to the increase in depreciation and amortization of properties and equipment.

Staff costs decreased by RMB327 million or 7.38% as compared to 2016, which was primarily due to a decrease in bonus for declining performance in 2017.

Other operating expenses decreased by RMB275 million or 15.06% as compared with 2016, which was primarily due to the decrease in variable expenses.

Impairment losses of assets amounted to RMB682 million, representing an increase of RMB430 million as compared with 2016, details of which are listed as follows:

Unit: RMB in million

Item	2017	2016	Change	Year-on-year growth rate
<b>Impairment losses</b>				
Allowance for/(reversal of) impairment loss in respect of accounts receivable	3.3	-5.7	9.0	-157.89%
Impairment loss in respect of other receivables	1.9	11.3	-9.4	-83.19%
Impairment loss in respect of available-for-sale financial assets	639.3	191.5	447.8	233.84%
Impairment loss in respect of margin financing and securities lending business	17.5	0.0	17.5	N/A
Impairment loss in respect of financial assets held under resale agreements	18.2	55.4	-37.2	-67.15%
Investment in receivables	1.9	0.0	1.9	N/A
<b>Total</b>	<b>682.1</b>	252.5	429.6	170.14%

Impairment losses of assets of the Company amounted to RMB682 million in 2017, which was mainly due to the impairment provision for available-for-sale financial assets of RMB639 million made by the Company in accordance with its accounting policies in view of the higher market volatility.





## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### 2. Asset items

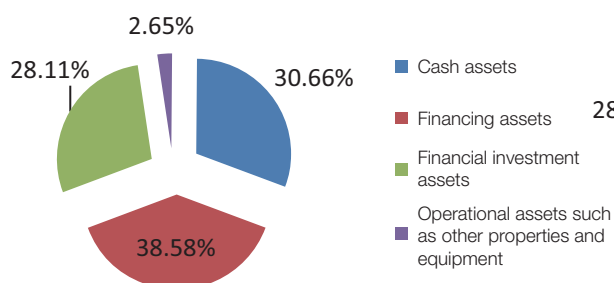
As at 31 December 2017, the total assets of the Group amounted to RMB254.815 billion, representing an increase of 3.63% as compared with 2016. Among others, cash assets amounted to RMB78.117 billion, representing a decrease of 23.04% with compared to 2016; financing assets amounted to RMB98.320 billion, representing an increase of 43.57% as compared with 2016; financial investment assets amounted to RMB71.623 billion, representing an increase of 3.00% as compared with 2016; and operational assets such as other properties and equipment, mainly including properties and equipment, other intangible assets and interest receivables, amounted to RMB6.755 billion, representing an increase of 6.19% as compared to 2016. Major changes in the Group's total assets are listed as follows:

Unit: RMB in million

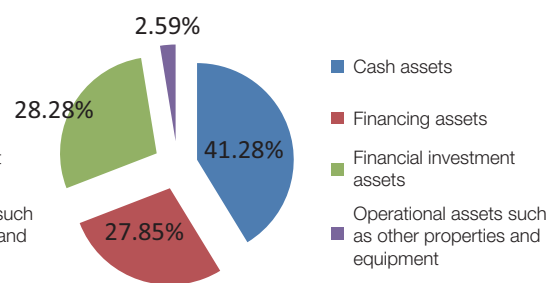
Item	31 December 2017	31 December 2016	Change	Year-on-year growth rate
<b>Total assets</b>				
Cash assets	<b>78,116.8</b>	101,497.5	-23,380.7	-23.04%
Financing assets	<b>98,319.8</b>	68,482.8	29,837.0	43.57%
Financial investment assets	<b>71,623.3</b>	69,539.0	2,084.3	3.00%
Operational assets such as other properties and equipment	<b>6,755.1</b>	6,361.2	393.9	6.19%
<b>Total</b>	<b>254,815.0</b>	245,880.5	8,934.5	3.63%

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

Analysis of assets composition as at 31 December 2017



Analysis of assets composition as at 31 December 2016





## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Cash assets

As at 31 December 2017, the Group's cash assets decreased by RMB23.381 billion or 23.04% as compared with 2016, accounting for 30.66% 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 2017	31 December 2016	Change	Year-on-year growth rate
<b>Cash assets</b>				
Bank balances	<b>59,741.7</b>	69,064.0	-9,322.3	-13.50%
Clearing settlement funds	<b>12,538.5</b>	25,363.4	-12,824.9	-50.56%
Deposits with exchanges and non-bank financial institutions	<b>5,836.6</b>	7,070.1	-1,233.5	-17.45%
<b>Total</b>	<b>78,116.8</b>	101,497.5	-23,380.7	-23.04%

The change in cash assets was mainly reflected in bank balances and clearing settlement funds, of which bank balances amounted to RMB59.742 billion, representing a decrease of 13.50% as compared with 2016, which was mainly due to the decrease in customer funds.

Clearing settlement funds was RMB12.539 billion, representing a decrease of 50.56%, mainly due to the decrease in provisions of clients.

### Financing assets

As at 31 December 2017, the Group's financing assets increased by RMB29.837 billion or 43.57% as compared with 2016, accounting for 38.58% 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 2017	31 December 2016	Change	Year-on-year growth rate
<b>Financing assets</b>				
Advances to financing customers	<b>60,063.7</b>	55,476.6	4,587.1	8.27%
Financial assets held under resale agreements	<b>38,256.1</b>	13,006.2	25,249.9	194.14%
<b>Total</b>	<b>98,319.8</b>	68,482.8	29,837.0	43.57%

Advances to financing customers increased by 8.27% to RMB60.064 billion, which was primarily due to the growth of the Group's financing business.

Financial assets held under resale agreements increased by 194.14% to RMB38.256 billion, which was primarily due to a significant growth in the scale of the Group's dealer-quoted securities repurchase business.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Financial investment assets

As at 31 December 2017, the Group's financial investment assets increased by RMB2.084 billion or 3.00% as compared with 2016, accounting for 28.11% 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 2017	31 December 2016	Change	Year-on-year growth rate
<b>Financial investment assets</b>				
Investment in receivables	4,984.1	3,643.1	1,341.0	36.81%
Available-for-sale financial assets	34,060.8	36,524.1	-2,463.3	-6.74%
Financial assets held for trading	23,249.7	27,117.8	-3,868.1	-14.26%
Financial assets designated as at fair value through profit or loss	5,760.6	2,245.5	3,515.1	156.54%
Derivative financial assets	22.9	8.5	14.4	169.41%
Held-to-maturity investments	3,545.2	0.0	3,545.2	N/A
<b>Total</b>	<b>71,623.3</b>	<b>69,539.0</b>	<b>2,084.3</b>	<b>3.00%</b>

Available-for-sale financial assets: As at 31 December 2017, the Group's available-for-sale financial assets decreased by RMB2.463 billion or 6.74% as compared with 2016, accounting for 13.37% of the Group's total assets, which was mainly due to the decrease in the scale of equity investments and graded fund investments. The composition of the Group's available-for-sale financial assets is listed as follows:

Unit: RMB in million

Item	31 December 2017	31 December 2016	Change	Year-on-year growth rate
<b>Available-for-sale financial assets</b>				
Debt securities	16,151.4	14,608.0	1,543.4	10.57%
Equity securities	3,293.4	5,095.1	-1,801.7	-35.36%
Funds	3,778.7	4,939.3	-1,160.6	-23.50%
Other investments	10,837.3	11,881.8	-1,044.5	-8.79%
<b>Total</b>	<b>34,060.8</b>	<b>36,524.1</b>	<b>-2,463.3</b>	<b>-6.74%</b>

Equity securities decreased by RMB1,802 million as compared with the corresponding period of last year, mainly due to the decrease in investment scale and the decline of the market value of the securities held.

Funds decreased by RMB1,161 million as compared with the corresponding period of last year, mainly due to the decrease in the scale of dealer-quoted repurchase business for A-graded funds.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Financial assets held for trading: As at 31 December 2017, the Group's financial assets held for trading decreased by RMB3.868 billion or 14.26% as compared with 2016, accounting for 9.12% 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 2017	31 December 2016	Change	Year-on-year growth rate
<b>Financial assets held for trading</b>				
Debt securities	15,773.5	19,597.1	-3,823.6	-19.51%
Equity securities	3,449.7	1,678.8	1,770.9	105.49%
Funds	4,026.5	5,841.9	-1,815.4	-31.08%
<b>Total</b>	<b>23,249.7</b>	<b>27,117.8</b>	<b>-3,868.1</b>	<b>-14.26%</b>

Debt securities decreased by RMB3,824 million, mainly due to the reduction in interbank deposits; equity securities increased by RMB1,771 million, mainly due to the increase in the scale of stock investments of the Company; funds decreased by RMB1,815 million, which was mainly due to the fund market-making business and the decrease in the scale of open-ended mutual fund investments.

Financial assets designated as at fair value through profit or loss: As at 31 December 2017, the Group's financial assets designated as at fair value through profit or loss increased by RMB3.515 billion or 156.54% as compared with 2016, accounting for 2.26% 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 2017	31 December 2016	Change	Year-on-year growth rate
<b>Financial assets designated as at fair value through profit or loss</b>				
Convertible bonds	273.6	266.2	7.4	2.78%
Equity securities	3,215.2	653.6	2,561.6	391.92%
Funds	498.9	0.0	498.9	N/A
Other investments	1,772.9	1,325.8	447.1	33.72%
<b>Total</b>	<b>5,760.6</b>	<b>2,245.5</b>	<b>3,515.1</b>	<b>156.54%</b>

Equity securities increased by RMB2,562 million, mainly due to the increase in the scale of stock investments under the "Golden Bulk" business of the Company.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Operational assets such as other properties and equipment

As at 31 December 2017, the Group's operational assets such as other properties and equipment amounted to RMB6,755 million, increased by RMB394 million or 6.19% as compared with 2016, accounting for 2.65% of the Group's total assets. The composition of the Group's operational assets such as other properties and equipment as at the date indicated below is listed as follows:

Unit: RMB in million

Item	31 December 2017	31 December 2016	Change	Year-on-year growth rate
<b>Operational assets such as other properties and equipment</b>				
Property and equipment	381.1	397.9	-16.8	-4.22%
Goodwill	223.3	223.3	0.0	0.00%
Other intangible assets	385.8	354.2	31.6	8.92%
Deferred tax assets	168.0	239.6	-71.6	-29.88%
Accounts receivable	1,002.8	774.7	228.1	29.44%
Prepaid taxes	565.6	662.7	-97.1	-14.65%
Other receivables and prepayments	4,028.5	3,708.8	319.7	8.62%
<b>Total</b>	<b>6,755.1</b>	<b>6,361.2</b>	<b>393.9</b>	<b>6.19%</b>

Deferred tax assets decreased by RMB72 million, mainly due to the fair value change in available-for-sale financial assets; the increase of accounts receivables was mainly due to the significant increase in the exchange clearing receivables.

### 3. Liability items

As at 31 December 2017, the Group's total liabilities amounted to RMB189.929 billion, increased by RMB2.402 billion or 1.28% as compared with 2016. The scale of financing business and the level of financial leverage of the Company have increased. The Company expanded its financing scale and conducted financing through various channels. As at 31 December 2017, accounts payable to brokerage clients was RMB64.787 billion, representing a decrease of 28.34% as compared with 2016; financial assets sold under repurchase agreements was RMB18.716 billion, representing a decrease of 23.59% as compared with 2016, which was primarily due to the decrease in the scale of dealer-quoted repurchase business; bank borrowings and borrowing funds was RMB94.259 billion, representing an increase of 58.11% as compared with 2016, which was mainly due to the newly issued corporate bonds and income certificates. Major changes in the Group's total liabilities are listed as follows:

Unit: RMB in million

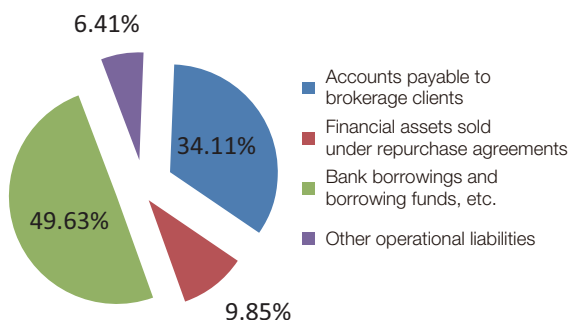
Item	31 December 2017	31 December 2016	Change	Year-on-year growth rate
<b>Liabilities</b>				
Accounts payable to brokerage clients	64,787.1	90,404.2	-25,617.1	-28.34%
Financial assets sold under repurchase agreements	18,716.2	24,494.7	-5,778.5	-23.59%
Bank borrowing and borrowing funds, etc.	94,259.1	59,615.9	34,643.2	58.11%
Other operational liabilities	12,166.1	13,011.8	-845.7	-6.50%
<b>Total</b>	<b>189,928.5</b>	<b>187,526.6</b>	<b>2,401.9</b>	<b>1.28%</b>



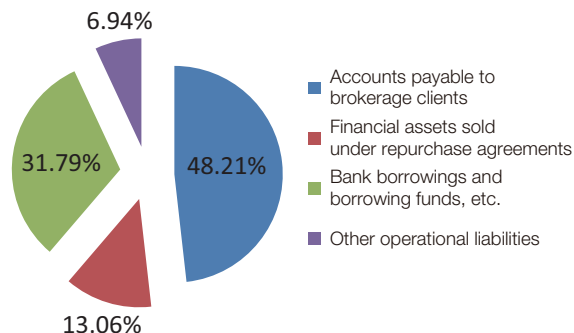
## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

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

Analysis of liabilities composition as at  
31 December 2017



Analysis of liabilities composition as at  
31 December 2016



### Bank borrowings and borrowing funds, etc

Unit: RMB in million

Item	31 December 2017	31 December 2016	Change	Year-on-year growth rate
<b>Bank borrowings and borrowing funds, etc.</b>				
Due to banks and non-bank financial institutions	3,050.3	1,785.4	1,264.9	70.85%
Financing instrument payables	29,454.5	11,518.1	17,936.4	155.72%
Bonds payable	61,754.3	46,312.4	15,441.9	33.34%
<b>Total</b>	<b>94,259.1</b>	59,615.9	34,643.2	58.11%

The amount payable to banks and non-bank financial institutions was RMB3.050 billion, representing an increase of 70.85% as compared with 2016, which was primarily due to new borrowing funds and additional short-term borrowings by Hong Kong subsidiary.

Financial instrument payables increased by RMB17.936 billion year on year, mainly due to the increase in the issuance size of income certificates by the Company.

Bonds payable increased by RMB15.442 billion year on year, all of which are the outstanding corporate bonds issued by the Group.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Other operational liabilities

Unit: RMB in million

Item	31 December 2017	31 December 2016	Change	Year-on-year growth rate
<b>Other operational liabilities</b>				
Accrued staff costs	<b>3,389.6</b>	4,036.8	-647.2	-16.03%
Other payables and accruals	<b>8,302.5</b>	8,169.0	133.5	1.63%
Income tax liabilities	<b>63.7</b>	54.5	9.2	16.88%
Financial liabilities held for trading	<b>268.5</b>	713.5	-445.0	-62.37%
Derivative financial liabilities	<b>135.2</b>	38.0	97.2	255.79%
Deferred tax liabilities	<b>6.6</b>	0.0	6.6	N/A
<b>Total</b>	<b>12,166.1</b>	13,011.8	-845.7	-6.50%

Accrued staff costs decreased by RMB647 million or 16.03% as compared with 2016, which was primarily due to the decline in the Group's financial results, which resulted in a reduction in the performance based fee.

Financial liabilities held for trading decreased by RMB445 million year on year, representing a decrease of 62.37% over the same period of last year, mainly due to the decrease in the scale of income swap products and income certificates linked to stock index.

Derivative financial liabilities increased by RMB97 million or 255.79% year on year, mainly due to the increase in the scale of derivative financial liabilities resulting from the commencement of OTC options business.

### 4. Equity items

As at 31 December 2017, the Group's total equity was RMB64.886 billion, representing an increase of 11.19% as compared with 2016. The following table sets forth the composition of the Group's equities as at the date indicated:

Unit: RMB in million

Item	31 December 2017	31 December 2016	Change	Year-on-year growth rate
Share capital	<b>10,137.3</b>	9,537.3	600.0	6.29%
Reserves	<b>38,498.8</b>	33,876.3	4,622.5	13.65%
Retained profits	<b>15,876.9</b>	14,575.0	1,301.9	8.93%
Non-controlling interests	<b>373.4</b>	365.4	8.0	2.19%
<b>Total</b>	<b>64,886.4</b>	58,353.9	6,532.5	11.19%

On 23 January 2017, the Company completed its A Share public offering of 600 million A Shares at a price of RMB6.81 per share on the Shanghai Stock Exchange. Upon the offering, the total number of shares of the Company in issue was 10,137 million shares, comprising 3,691 million H Shares and 6,446 million A Shares.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

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

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

Unit: RMB in million

	2017		2016	
	Amount	Percentage	Amount	Percentage
Securities brokerage	11,172.2	69.89%	12,512.1	67.99%
Futures brokerage	849.7	5.32%	754.2	4.10%
Proprietary trading and other securities trading services	1,922.3	12.02%	2,574.6	13.99%
Investment banking	521.0	3.26%	1,092.2	5.93%
Asset management	1,060.0	6.63%	916.8	4.98%
Private equity investment	168.0	1.05%	156.9	0.85%
Overseas business	472.3	2.95%	434.1	2.36%
Others	470.5	2.94%	306.3	1.66%
Inter-segment eliminations	-650.1	-4.07%	-344.1	-1.87%
<b>Total</b>	<b>15,985.9</b>	<b>100.00%</b>	<b>18,403.1</b>	<b>100.00%</b>

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

Unit: RMB in million

	2017		2016	
	Amount	Percentage	Amount	Percentage
Securities brokerage	6,671.6	59.69%	7,493.9	63.37%
Futures brokerage	539.2	4.82%	505.0	4.27%
Proprietary trading and other securities trading services	2,315.9	20.72%	1,856.5	15.70%
Investment banking	292.4	2.62%	604.7	5.11%
Asset management	776.4	6.95%	650.9	5.50%
Private equity investment	65.1	0.58%	59.4	0.50%
Overseas business	335.7	3.00%	288.9	2.44%
Others	630.1	5.64%	710.9	6.01%
Inter-segment eliminations	-449.2	-4.02%	-343.9	-2.91%
<b>Total</b>	<b>11,177.2</b>	<b>100.00%</b>	<b>11,826.5</b>	<b>100.00%</b>





## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

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

Unit: RMB in million

	2017		2016	
	Amount	Percentage	Amount	Percentage
Securities brokerage	4,500.6	93.59%	5,018.2	76.30%
Futures brokerage	310.5	6.46%	249.1	3.79%
Proprietary trading and other securities trading services	-393.6	-8.19%	718.1	10.92%
Investment banking	228.6	4.75%	487.4	7.41%
Asset management	283.6	5.90%	265.9	4.04%
Private equity investment	102.9	2.14%	97.5	1.48%
Overseas business	136.6	2.84%	145.3	2.21%
Others	-159.6	-3.32%	-404.6	-6.15%
Inter-segment eliminations	-200.9	-4.18%	-0.2	0.00%
<b>Total</b>	<b>4,808.7</b>	<b>100.00%</b>	<b>6,576.6</b>	<b>100.00%</b>

### (vi) Contingent liabilities

Nil

### (VII) Analysis of Investments

Unit: RMB in million

Item	31 December 2017		2017	
	Initial investment cost/nominal value	Fair value	Investment gains	Changes in fair value
Financial assets at fair value through profit or loss	29,941.8	-931.5	636.1	-258.3
Available-for-sale financial assets	35,083.0	-1,022.1	1,571.9	-784.4
Financial liabilities at fair value through profit or loss	281.3	-12.8	8.5	13.7
Derivative financial instruments	7,342.7	-112.2	60.6	21.2



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### (VIII) Analysis on Major Controlled Companies and Investees

- (1) Galaxy Futures has a registered capital of RMB1.2 billion, in which the Company holds an equity interest of 83.32%. Its major business scope is to act as agent for the transactions of all domestic futures varieties, to provide investment consultancy and assets management and other services. As at 31 December 2017, the total assets and net assets of Galaxy Futures were RMB16.573 billion and RMB1.854 billion, respectively. In 2017, it achieved an operating income and a net profit of RMB832 million (Chinese Accounting Standards for Business Enterprises, similarly hereinafter) and RMB231 million, respectively.
- (2) Galaxy Capital has a registered capital of RMB1 billion, in which the Company holds an equity interest of 100%. Its major business scope is to utilize proceeds from fund raising activities for project investment and investment management. As at 31 December 2017, the total assets and net assets of Galaxy Capital were RMB1.457 billion and RMB1.078 billion, respectively. In 2017, it achieved an operating income and a net profit of RMB106 million and RMB52 million, respectively.
- (3) Galaxy International Holdings has a registered capital of HK\$3.261 billion, in which the Company holds an equity interest of 100%. Its major business scope is to provide securities and futures broker, investment banking research, asset management, wealth management and loan services in Hong Kong through a number of wholly owned subsidiaries. As at 31 December 2017, the total assets and net assets of Galaxy International Holdings were RMB9.208 billion and RMB3.159 billion, respectively. In 2017, it achieved an operating income and a net profit of RMB346 million and RMB119 million, respectively.
- (4) Galaxy Jinhui has a registered capital of RMB1 billion, in which the Company holds an equity interest of 100%. Its major business scope is securities assets management. As at 31 December 2017, the total assets and net assets of Galaxy Jinhui were RMB2.737 billion and RMB1.209 billion, respectively. In 2017, it achieved an operating income and a net profit of RMB730 million and RMB128 million, respectively.
- (5) Galaxy Yuanhui has a registered capital of RMB1.5 billion, in which the Company holds an equity interest of 100%. Its major business scope is proprietary investment business (including equity investment or bond investment), or to invest in other investment funds related to equity investment and bond investment. As at 31 December 2017, the total assets and net assets of Galaxy Yuanhui were RMB1.563 billion and RMB1.538 billion, respectively. In 2017, it achieved an operating income and a net profit of RMB60 million and RMB32 million, respectively.

### (IX) Structured Entities Controlled by the Company

As at 31 December 2017, the Group consolidated 37 structured entities, including asset management schemes and partnerships. For asset management schemes with the Group as the manager and partnerships with the Group as a general partner or the investment manager, it identifies the controlling right over certain asset management schemes and certain partnerships and incorporates them into the consolidation after considering the investment decision-making right owned in them, the exposure to variable returns and other factors. As at 31 December 2017, the total assets of the above structured entities incorporated into the consolidation were RMB14.968 billion.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### (X) Others

#### 1. Establishment of Securities Branches and Branch Offices during the Reporting Period

As at the End of the Reporting Period, the Company had established 36 branch offices and 470 securities branches.

During the Reporting Period, according to the “Approval on the Establishment of 67 Branches by China Galaxy Securities Co., Ltd.” (Jing Zheng Jian Xu Ke [2016] No. 79) issued in November 2016, the Company completed the establishment of all of the 67 securities branches.

In July 2017, the Company obtained the “Approval on the Establishment of 45 Branches by China Galaxy Securities Co., Ltd.” (Jing Zheng Jian Xu Ke [2017] No. 53) issued by CSRC Beijing Bureau. Currently, the establishment of the branches is progressing steadily. As at the end of 2017, 43 new branches have obtained the Securities and Futures Business License.

The Company has constantly adjusted and optimized the branch layout. During the Reporting Period, the Company relocated 40 branches within the same city, including 4 branch offices and 36 securities branches, namely Shanghai branch office, Shenzhen branch office, Gilin branch office, Guizhou branch office, securities branch in South Ring Road, Jiaxing, securities branch in Liuting Street, Ningbo, securities branch in Qiushan Avenue, Yuhang, Hangzhou, securities branch in Xujiang Road, Quzhou, securities branch in Jianhu Road, Keqiao, Shaoxing, securities branch in Lintong Road, Shanghai, securities branch in Zhaojiabang Road, Shanghai, securities branch in Madang Road, Huangpu, Shanghai, securities branch in Jilong Road, Pilot Free Trade Zone, Shanghai, securities branch in Boxi Road, Panyu, Guangzhou, securities branch in Huacheng Avenue, Guangzhou, securities branch in Fazhan Avenue, Jiangmen, securities branch in Longxiang Avenue, Shenzhen, securities branch in Minzu Road, Xiamen, securities branch in Wuluo Road, Wuhan, securities branch in Development Zone, Qingdao, securities branch in Jiangdong Middle Road, Nanjing, securities branch in Huashen Avenue, Nanjing, securities branch in Zhujiang East Road, Changshu, securities branch in Huizhou Avenue, Hefei, securities branch in Jixian South Road, Anqing, securities branch in Dengfeng Avenue, Ganzhou, securities branch in Yide Street, Dalian, securities branch in Xilin Road, Jiamusi, securities branch in Chengdu Road, Tianjin, securities branch in Yongan South Avenue, Cangzhou, securities branch in Jiefang Street, Yicheng, securities branch in MIXC, Chongqing, securities branch in Minzu Road, Chongqing, securities branch in Yizhou Avenue, Chengdu, securities branch in Changling North Road, Guiyang, securities branch in Hongxing Road, Baiyin, securities branch in Youyi Road, Liuzhou, securities branch in Huayuan Street, Yiliang, securities branch in Jiaotong Road, Qujing and securities branch in Shuangbao Avenue, Mojiang.

The Company has 470 securities branches, which are located in 31 provinces, autonomous regions and municipalities across the country, of which 76 are in Guangdong Province, 64 in Zhejiang Province, 39 in Shanghai, 31 in Beijing, 30 in Jiangsu Province, 21 in Shanxi Province, 20 in Fujian Province, 19 in Shandong Province, 18 in Liaoning Province, 15 in Sichuan Province, 14 in Hubei Province, 14 in Anhui Province, 11 in Chongqing, 11 in Henan Province, 10 in Hunan Province, 9 in Hebei Province, 8 in Yunnan Province, 8 in Jiangxi Province, 7 in Heilongjiang Province, 5 in Shaanxi Province, 5 in Guangxi Zhuang Autonomous Region, 5 in Xinjiang Uygur Autonomous Region, 5 in Inner Mongolia Autonomous Region, 4 in Gansu Province, 4 in Tianjin, 4 in Qinghai Province, 4 in Ningxia Hui Autonomous Region, 3 in Jilin Province, 3 in Guizhou Province, 2 in Hainan Province and 1 in Tibet Autonomous Region. See Appendix I for details of the securities branches.

As at the End of the Reporting Period, the Company had 36 branch offices. See Appendix II for details.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### 2. Introduction to account regulation

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

During the Reporting Period, the business departments had no risk disposition account, and the Company’s original unqualified accounts and petty dormant accounts were regulated and re-activated orderly. In particular, the Company regulated 21 unqualified fund accounts, and recorded 1,813 unqualified fund accounts at the End of the Reporting Period; re-activated 4,024 petty dormant fund accounts, increased 0 petty dormant accounts annually and logged 2,035,202 petty dormant fund accounts at the End of the Reporting Period (including: 536,944 pure fund accounts under management with reference to standards for dormant account management). Apart from that, the Company scored 137 fund accounts judicially frozen at the End of the Reporting Period, increasing by 26 accounts.

	At the end of 2016 (RMB Accounts)	At the end of 2017 (RMB Accounts)	Change
Dormant fund accounts	2,039,226 (including pure fund accounts: 538,411)	<b>2,035,202</b> <b>(including pure</b> <b>fund accounts:</b> <b>536,944)</b>	Re-activated 4,024. No increase in dormant accounts as CSDC did not conduct securities account freezing in 2017.
Unqualified fund accounts	1,834	<b>1,813</b>	Decreased by 21
Judicially-frozen fund accounts	111	<b>137</b>	Increased by 26
Risk disposition accounts	0	<b>0</b>	

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

#### (1) Business Innovation

During the Reporting Period, the Company obtained all the qualifications needed to carry out “sale of precious physical metal products” business. It is estimated that the related businesses will be launch out in 2018 officially. The Company has been actively promoting the development of WFOE business and became the exclusive partner of Temasek Fullerton Fund Management (新加坡淡馬錫富敦投資管理公司) for trading, outsourcing, custody and distribution of the first private equity product issued, which was the first foreign-funded private equity fund issued to domestic qualified investors. Therefore, the Company has become the first domestic broker that has completed a set of preparation work for issuance of foreign private equity fund.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### (2) Risk control of business innovation

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

#### ① Making preparation for the initial risk management

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

#### ② Establishment of a sound risk management system and procedures

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

#### ③ Improvement of the three-tier license management

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



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

#### (I) Industry landscape and trend

In 2017, the capital market was progressing in a steady and orderly manner under the main tone of progress through stability. Its function of serving the real economy has been improving and the width and depth of the market expanding. Positive signs were seen in market size, investor structure, bilateral opening and system building, and new room of development has been opened up. It is expected that regulation of the industry will see marginal improvement. The capital market will continuously expand under the background of expansion of direct finance, implementation of the policy of allowing the entrance of foreign enterprises, the guiding of various types of long-term capitals to enter the market orderly and the policy of implementing the Shanghai-London Stock Connect. Policy dividend for the development of the industry will continue to exist. Under policies such as deepening of the reform of New OTC Board, supporting the development of private equities, financial innovation relating to constructions under the “Belt and Road” initiative and encouraging the development of financial technology, securities companies will continuously and steadily implement business transformation, reform traditional business, expand innovative businesses such as wealth management, direct investment and futures and actively utilize financial technology. Under the regulators’ encouragement direction of “supporting the best while limiting the inferior”, the competitive advantage of large securities companies will be more significant as they have strong capital, strong capabilities in risk management and innovation. In addition, “innovation and development” of the industry will be raised again as a requirement. In the future, innovation will be related to the development needs of the real economy and will provide new impetus for the industry, on the premise of compliance of business operation and risk control.

#### (II) Development strategy of the Company

The Company will adhere to the development target of “building a carrier securities broker and a modern investment bank” and push ahead the new development strategy of “Dual-wheel Drive and Coordinated Development”. The Company will grasp the current opportunities in the opening up of the securities industry and actively respond to the fierce competition and to adapt to the new normal in economic growth and the new trend in the development of the securities market. It will take serving the real economy as the starting point and as its base, adopt the management system of “centralised coordination + line management” and insist on enhancing core competitiveness. It will also implement requirements of the regulator by improving mechanisms, consolidating resources, and supplementing insufficiencies and weaknesses. The Company will return to the fundamentals of the securities business, and align its own development with social responsibility. It will seek concrete effect in transformation and development and drive various businesses into a track of sustainable development with “progress through stability”.

#### (III) Operation plans

In 2018, the policy environment related to the Company’s operation will include strict regulation, deleveraging, risk prevention and increase in the proportion of direct finance and promotion of the healthy development of a multi-layered capital market. The Company will fully implement the spirit of the 19th CPC National Congress, take Xi Jinping’s thought on socialism with Chinese characteristics for a new era as the guidance, stick to the overall tone of “progress through stability”, treat holding its position in the industry as the bottom line, and firmly establish the concept of transformation is a prerequisite for development; will insist on compliance of business operation, effective prevention of risks, closely follow the basic objective of serving the real economy in planning the blue print of its business development, lay a firm foundation for growth, unwaveringly implement the business model of “Dual-wheel Drive and Coordinated Development”, firmly promote overseas mergers and acquisitions, improve internal systems and mechanisms, speed up the establishment of “five centers”, and forge an internet service model with Galaxy’s characteristics; will reinforce its advantages, strengthen its weakness, fill the voids, seize opportunities, strive unwaveringly and vigorously to open up a new phase of the Company’s transformation and development. The key missions are: to formulate the Company’s new development strategy in phases, streamline operation and management systems, maintain its leading position in the big brokerage business industry, reshape the strategic positioning and business value of big investment banking business, enhance the active management capability of big asset management business, strengthen the revenue stability of big investment business, enhance the quality and market influence of the research institute’s operation, firmly promote overseas mergers and acquisitions, strengthen the capability of IT technological support, raise the standard of assets and liabilities management and constantly strengthen compliance and risk control.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### (IV) Potential risks

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

In 2017, the Company adopted effective measures to actively address and generally prevent substantial risk events and ensure the safety of business operation of the Company.

#### 1. Market risk

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

##### (1) Price risk

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

The price risk of the Company was mainly derived from the positions held in businesses such as proprietary investment, and market making business. In order to control risks effectively, the Company mainly adopted the following measures: Firstly, by creating securities investment portfolios, the Company made use of financial derivatives to carry out effective risk hedging. Secondly, the risk exposure of the Company's positions was managed on 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, the Company made active use of such ways as risk hedging and limit management, and effectively monitored and managed the position risks of the securities held by the Company. The overall proprietary business risk of the Company was within an acceptable range. As at the End of the Reporting Period, the VaR of the Company's investment portfolio amounted to approximately RMB107 million, only accounting for 0.21% 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.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### (3) Currency rate risk

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

The Company will conduct concurrent studies and adopt reasonable and effective measures to hedge and manage currency risks.

### 2. Credit risk

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

As at the End of the Reporting Period, 57.39% of the credit bonds held by the Company had a credit rating of AAA, 42.61% had a credit rating of AA and AA+. There was no default from counterparties. During the Reporting Period, affected by the market volatility, there were 945 compulsory close position operations in terms of the margin financing and securities lending business with the size reaching RMB121 million, all of which were standardized disposal procedures agreed in business rules and contracts for implementation of the transaction, while the Company incurred a loss of RMB3,289,100. 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.

### 3. Liquidity risk

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

To cope with and manage liquidity risk effectively, the Company has strengthened the real-time monitoring and management of usage of large amounts of funds in order to achieve centralized fund allocation and coordinated liquidity risk management; included the requirements such as debt financing and leverage ratio in the risk authorization and gradually established the liquidity risk indicator system; monitored and reported the liquidity of the Company on a daily basis in order to make risk warning in a timely manner; conducted regular and ad hoc 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.





## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### 4. Operational risk

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

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

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

The Company has a sound organizational system for risk control indicator management. Management and monitoring of risk control indicators, stress test, internal audit review and other related work are carried out by designated staff of related departments. In 2017, the Company has conducted dynamic monitoring of routine net capital and liquidity risk control indicators using the new risk control indicator dynamic monitoring system, which was developed and established according to the “Administrative Measures for Risk Control Indicators of Securities Companies” and its supporting rules released by the CSRC in 2016. The operation of the system is more stable with more prompt and accurate information assess and realizes real-time and dynamic monitoring and pre-warning of the Company’s net capital and liquidity risk control indicators. In order to prevent any shock and impact on risk control indicators at the end of the period due to various factors such as maturity of large debt, effective measures have been promptly taken, such as short-term borrowings and issuance of long-term bond through earlier calculation and predicting net capital and liquidity risk control indicators at the end of the period, so as to prevent the possible risk of exceeding the limit of risk control indicators. The dynamic monitoring in 2017 showed that all of the Company’s net capital and liquidity risk control indicators continued to conform to regulatory provisions. Through the sensitivity analysis and stress test mechanism, based on the market and business development needs, we carried out stress on both regular and ad hoc basis analyzed the conditions which may appear in the future and their impact on the net capital and liquidity risk control indicator of the Company, and formulated the relevant response measures to ensure that all risk control indicators reached the target levels.

In 2017, the Company revised and released the “Implementing Rules for the Operation of Dynamic Risk Control Indicators Monitoring” and “Administrative Measures for Net Capital and Liquidity Risk Control Indicators” according to the amended “Administrative Measures for Risk Control Indicators of Securities Companies” issued by the CSRC and the operation of the new dynamic monitoring system of risk control indicators, which further optimized the management system of risk control indicators.

The Company established a dynamic top-up mechanism and made long-term top-up plans for net capital. The Company raised short-term capital to increase its liquidity coverage by way of issuing income certificates and the transfer of margin financing and securities lending income rights, etc. It replenished the long-term available stable fund to increase the net stable fund rate through the issuance of long-term corporate bonds. In 2017, the Company followed the capital planning formulated at the end of 2014 for the next three years to maintain its capital scale to be in line with its market position. The Company adhered to prudent financial principles, so as to ensure a dynamic balance between the business development and risk resistance capability of the Company. The Company made proper capital allocation and debt financing arrangements. When the capital adequacy target continued to fall or there were potentially significant adverse factors, the Company will start the financing programme at an appropriate time based on the market conditions to guarantee the level of the capital adequacy. In January 2017, the A Shares IPO of the Company raised RMB3.954 billion and it further enhanced its net capital strength.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### (VI) CONSTRUCTION OF RISK MANAGEMENT SYSTEM

The Company has established an upper level risk management structure consisting of the Board of Directors, the Supervisory Committee and the management. The basic level of the corporate risk management structure is built based on “three lines of defense” which incorporated the risk management of the subsidiaries to implement a vertical management of risk management.

#### 1. the Board of Directors and its Special Committees

Within the scope of authorization granted at the general meeting, the Board of Directors is the highest decision-making authority for risk management of the Company, which undertakes the ultimate responsibilities for risk management. The Board of Directors performs part of its functions of risk management through the Risk Management Committee and Audit Committee.

##### (1) Risk Management Committee

The Risk Management Committee 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 compliance and risk management measures and the performance of the relevant senior management officers. It proposes risk management improvement advice to the Board on a regular basis; 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.

#### 2. Supervisory Committee

The Supervisory Committee is responsible for the supervision of risk management and supervising, inspecting and urging rectification of the Board of Directors and the management in respect of their performance of risk management duties in accordance with laws, regulations and the Articles of Association.

#### 3. The management

The management is primarily responsible for risk management and performs risk management duties according to the authorisation given by the Board, which includes: (i) formulating risk management systems and adjusting them timely; (ii) establishing a sound corporate risk management structure; (iii) setting risk appetite, risk tolerance and limits for major risks and ensuring their effective implementation; (iv) regularly assessing the overall risk of the Company and the management status of key risks, solving existing issues in risk management and reporting to the Board; (v) establishing an appraisal system for all employees which includes the effectiveness of risk management; (vi) establishing a comprehensive IT system and data quality control system; and (vii) performing other functions of risk management.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

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

### 4. Departments, branches and subsidiaries

Business departments, functional departments and branches are charged with the first responsibility in risk management. They shall execute the Company's risk management policies and systems, fully appreciate and give due consideration to various risks when making decisions, and timely and effectively identify, assess, monitor, respond to and report relevant risks. The Company deploys dedicated/part-time risk management and compliance management personnel in the business departments and branches to be responsible for the specific risk management and compliance management work.

Under the leadership of the Chief Risk Officer, the Risk Management Department drives the overall risk management work and coordinates risk management of various departments in respect of various types of risks. For risks such as market risk, credit risk, operational risk and liquidity risk, the Risk Management Department identifies, assesses, monitors and reports the risks independently, and provides risk management advice for business decisions, and assists, guides and inspects the departments, branches and subsidiaries in their risk management.

The Legal Compliance Department is responsible for identifying, assessing and reporting of the legal and compliance risks and money laundering risk of the Company, providing professional legal support services for the Company as well as assisting, guiding and inspecting the departments, branches and subsidiaries in connection with legal and compliance risk management to ensure the compliance of business operation.

The Finance and Planning Department is responsible for the deployment of funds and liquidity management of the Company, measuring, monitoring and reporting of net capital, establishment of a dynamic monitoring system for risk control indicators in compliance with regulatory requirements and daily operation and management of the system.

The Audit Department is responsible for examining and assessing, independently and objectively, the adequacy and effectiveness of risk management. If issues are identified, it will urge the responsible person to rectify timely and follow up and inspect the implementation of the rectifying measures.

The Disciplinary Inspection Office is responsible for the implementation of disciplinary inspection by the Party Committee and monitoring of the operation and management of the Company, as well as assisting the Party Committee in strengthening Party conduct and organising and coordinating anti-corruption and advocacy of integrity.

Functional departments including Human Resources Department, IT Department, Settlement Management Department and the president's office perform risk management duties within their functional responsibilities. They are mainly responsible for identifying, assessing, monitoring and reporting the risks of losing human resources and risks related to IT, settlement, external investment and Company reputation.

Each subsidiary establishes its own risk management structure, system, procedures, IT system and risk control indicator system according to the risk appetite and system framework of the Company and the comprehensive risk management requirements of the Company in respect of the subsidiaries to ensure the consistency and effectiveness of overall risk management, taking into account of factors such as its own capital strength, risk tolerance and complexity of business. Subsidiaries should fully appreciate and give due consideration to various risks when making decisions, and timely identify, assess, monitor, respond to and report relevant risks.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### IV. ANALYSIS ON THE REASON AND INFLUENCE OF CHANGES IN ACCOUNTING POLICIES

#### 1. IFRS 9: Financial Instruments

IFRS 9-Financial Instruments (“IFRS 9”) introduces new rules for the classification, measurement and derecognition of financial instruments; its main impact on the Group includes the classification and measurement of financial instruments and the impairment of financial assets. According to the provisions for the transition from IAS 39, companies should adjust the retained earnings or other comprehensive income as at the beginning of 2018 without restating the comparative financial figures of the prior periods for the effect of the changes to classification and measurement and impairment of financial assets.

IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity’s business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at fair value through profit or loss, fair value through other comprehensive income (FVOCI) or amortized cost. The impairment of financial assets is subject to impairment accounting and recognition of provision for losses based on expected credit losses.

The Group reasonably anticipates that the adoption of the above IFRS 9 will not have a significant impact on the Group’s consolidated financial statements and its net assets as at 1 January 2018.

#### 2. IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. IFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

The Group anticipates that the adoption of the revenue standard of this amendment will not have a significant impact on the Group’s consolidated financial statements.



## SECTION V DIRECTORS' REPORT

### I. MAJOR BUSINESS AND BUSINESS OVERVIEW OF THE COMPANY

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

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

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

The contents above form part of the directors’ report.

### II. PLANS FOR PROFIT DISTRIBUTION OR CONVERSION OF CAPITAL RESERVE INTO SHARE CAPITAL

#### (i) Formulation, execution or adjustment of cash dividend policy

The Company is committed to long-term and sustainable development. It establishes sustainable and stable return plan and mechanism for its investors on the basis of comprehensive analysis of the Company’s actual conditions of operation and development, Shareholders’ concerns and requirements, cost of social capital and external financing environment after taking into consideration its current and future profitability, cash flow position, stage of development, fund requirements for project investment, bank credit and debt financing environment, so as to make systematic arrangement for the profit distribution to ensure the continuity and stability of its profit distribution policies. The Company fully considers the opinions of independent Directors and public investors in the study, demonstration and decision-making process of its profit distribution policies.



## SECTION V DIRECTORS' REPORT

The Company expressly formulated profit distribution policies, including cash dividend policy, based on the following principles in the Articles of Association: "The Company shall attach high importance to the return to investors and distribute dividends to shareholders on a yearly basis in a fixed proportion out of the distributable profit of the Company for the year; the profit distribution policy of the Company shall be consistent and stable, while taking into account the long-term interests of the Company, the entire interests of shareholders as a whole, and the sustainable development of the Company; the Company shall distribute its profit by way of cash dividend as priority. The Company may distribute dividends in cash, shares or in a combination of cash and shares. If the relevant conditions are satisfied, interim profit distribution may be made by the Company. Save for the event that the Company will not distribute dividends in cash due to any significant investment, if the Company makes profit for the year and its accumulative undistributed profit is positive, the profit to be distributed in cash per annum should not be less than 10% of the distributable profit of the Company realized in that year. Where the Company is under a good operating condition, and the Board considers that the share price of the Company does not reflect its share capital size and distributing dividends in shares will be in the interest of all shareholders of the Company as a whole, the Company may carry out profit distribution through payment of dividends in shares having satisfied the aforesaid conditions for cash dividend distribution. In formulating the plan of profit distribution, full consideration shall be given to whether the net capital of the Company after profit distribution conforms to the provisions of the "Measures for the Administration of Risk Control Indicators of Securities Companies" (《證券公司風險控制指標管理辦法》) with respect to the risk control indicators of net capital. If any alert from risk control indicators arises due to profit distribution, the profit proportion shall be adjusted. In case of force majeure, such as wars and natural disasters, changes in the external business environment resulting in material impacts on the operation of the Company, or significant changes of the operation of the Company, the Company may change its profit distribution policy. The Board of Directors shall explain the change of profit distribution policy and give the reasons thereof by a report for consideration by independent directors before submitting to the shareholders' general meeting for approval by way of a special resolution. Online voting shall be allowed for the resolution of the change of profit distribution policy."

**(ii) Schemes or plans for profit distribution of ordinary shares and conversion of capital reserve into share capital in the latest 3 years (including the Reporting Period)**

Year	Number of bonus share for every 10 shares (share)	Dividends paid for every 10 shares (RMB) (inclusive of tax)	Number of shares to be converted into share capital for every 10 shares (share)	Amount of cash dividend (RMB) (inclusive of tax)	Net profit attributable to ordinary shareholders of the Company in the consolidated statements of the year with dividend payment (RMB)	Percentage relative to the net profit attributable to ordinary shareholders of the Company in the consolidated statements (%)
2017	0	1.20	0	1,216,471,050.84	3,980,730,433.74	30.56
2016	0	1.55	0	1,571,275,107.34	5,153,546,221.82	30.49
2015	0	3.28188	0	3,130,010,721.86	9,835,510,426.14	31.82

Based on the undistributed profits of the Company amounting to RMB13,717,443,538.77 at the beginning of 2017, plus net profit of RMB3,540,969,721.81 achieved by the Company in 2017 and less cash dividends of RMB1,571,275,107.34 in the 2016 profit distribution plan implemented by the Company in 2017, the distributable profit of the Company for 2017 amounted to RMB15,687,138,153.24. According to the requirements of the "Company Law", the "Securities Law", the "Financial Rules for Financial Enterprises" and the Articles of Association, after setting aside the statutory reserve, the general risk reserve and the transaction risk reserve at a percentage of 10%, totalling RMB1,062,290,916.54, the profit available for distribution to investors for 2017 amounted to RMB14,624,847,236.70.



## SECTION V DIRECTORS' REPORT

Taking into account of the Company's long-term development and the interests of investors, the Company proposes to distribute a cash dividend of RMB1,216,471,050.84 (inclusive of tax) for 2017, representing 30.56% of net profit attributable to shareholders of the Company in the consolidated statements for the year. Based on the total share capital of 10,137,258,757 shares at the end of 2017, cash dividend per 10 shares will be RMB1.20 (inclusive of tax and the actual amount distributed may be different due to rounding). In case of any changes in the total share capital of the Company on the record date by reason of placing or repurchase, the amount of cash dividend per share will be adjusted accordingly, up to a total of RMB1,216,471,050.84 (inclusive of tax). After the cash dividend distribution, the undistributed profits of RMB13,408,376,185.86 for the year will be carried forward to the next year. The aforesaid profit distribution plan of the Company is complied with laws and regulations, and is transparent and consistent with the provisions of the Articles of Association and approval procedures, and the decision-making procedures and mechanisms are complete. It fully safeguards the interests of minority shareholders. The 2017 profit distribution plan of the Company was passed at the 37th meeting (regular) of the third session of the Board, subject to the approval at the 2017 annual general meeting.

Following the approval of the resolution relating to the 2017 profit distribution plan at the 2017 annual general meeting, the cash dividends will be distributed within two months from the date of the 2017 annual general meeting (which will be no later than 31 August 2018). The cash dividends will be denominated and declared in RMB, and paid in RMB and in Hong Kong dollars to holders of A Shares and holders of H Shares, respectively. The actual amount distributed in Hong Kong dollars will be calculated based on the average benchmark exchange rate of RMB against Hong Kong dollars announced by the People's Bank of China five working days prior to the date of the 2017 annual general meeting of the Company.

The Company will announce in due course the date of the 2017 annual general meeting and the time for the closure of its register of members for the purpose of determining shareholders' eligibility to attend and vote at the 2017 annual general meeting, during which time no transfer of shares will be registered. The Company will make separate notice on the record date for the distribution to the H Shares dividends, the date for the closure of its register of members and the date of distribution of dividends.



## SECTION V DIRECTORS' REPORT

### III. BONDS ISSUE

(1) As of 31 December 2017, the Company non-publicly issued corporate bonds with an aggregate principal amount of RMB31.34 billion, and such corporate bonds were listed on the SSE. Details are set out as follows:

Bond name	Abbreviation	Code	Issue date	Expiry date	Issue size (RMB 100 million)	Interest rate (%)	Form of repayment	Trading venue
Non-public issuance of 2017 corporate bond of China Galaxy Securities Co., Ltd. (Tranche 1) (Type 1)	17 Galaxy F1	145356.SH	2017/2/27	2019/2/27	25.0	4.65%	Interest will be paid once annually and the principal amount will be repaid upon maturity	SSE
Non-public issuance of 2017 corporate bond of China Galaxy Securities Co., Ltd. (Tranche 1) (Type 2)	17 Galaxy F2	145357.SH	2017/2/27	2017/11/27	25.0	4.60%	Interest will be paid once annually and the principal amount will be repaid upon maturity	SSE
Non-public issuance of 2017 corporate bond of China Galaxy Securities Co., Ltd. (Tranche 2) (Type 1)	17 Galaxy F3	145428.SH	2017/3/23	2019/3/23	17.6	4.98%	Interest will be paid once annually and the principal amount will be repaid upon maturity	SSE
Non-public issuance of 2017 corporate bond of China Galaxy Securities Co., Ltd. (Tranche 2) (Type 2)	17 Galaxy F4	145429.SH	2017/3/23	2019/9/23	25.0	4.98%	Interest will be paid twice annually and the principal amount will be repaid upon maturity	SSE
Non-public issuance of 2017 corporate bond of China Galaxy Securities Co., Ltd. (Tranche 3) (Type 1)	17 Galaxy F5	145516.SH	2017/4/28	2019/4/28	46.3	4.95%	Interest will be paid once annually and the principal amount will be repaid upon maturity	SSE
Non-public issuance of 2017 corporate bond of China Galaxy Securities Co., Ltd. (Tranche 3) (Type 2)	17 Galaxy F6	145517.SH	2017/4/28	2020/4/28	47.2	4.99%	Interest will be paid once annually and the principal amount will be repaid upon maturity	SSE
Non-public issuance of 2017 corporate bond of China Galaxy Securities Co., Ltd. (Tranche 4) (Type 1)	17 Galaxy F7	145752.SH	2017/8/29	2018/5/29	19.3	4.79%	Principal and interest will be paid upon maturity	SSE
Non-public issuance of 2017 corporate bond of China Galaxy Securities Co., Ltd. (Tranche 4) (Type 2)	17 Galaxy F8	145753.SH	2017/8/29	2018/8/29	18.0	4.79%	Principal and interest will be paid upon maturity	SSE
Non-public issuance of 2017 corporate bond of China Galaxy Securities Co., Ltd. (Tranche 5) (Type 1)	17 Galaxy F9	145862.SH	2017/10/20	2019/10/20	40.0	5.03%	Interest will be paid once annually and the principal amount will be repaid upon maturity	SSE
Non-public issuance of 2017 corporate bond of China Galaxy Securities Co., Ltd. (Tranche 5) (Type 2)	17 Galaxy 10	145863.SH	2017/10/20	2018/7/20	10.0	4.77%	Principal and interest will be paid upon maturity	SSE
Non-public issuance of 2017 corporate bond of China Galaxy Securities Co., Ltd. (Tranche 6)	17 Galaxy 11	150019.SH	2017/12/6	2019/12/6	40.0	5.53%	Interest will be paid once annually and the principal amount will be repaid upon maturity	SSE





## SECTION V DIRECTORS' REPORT

- (2) As of 31 December 2017, the Company non-publicly issued short-term corporate bonds with an aggregate principal amount of RMB3.87 billion, and such corporate bonds were listed on the SSE. Details are set out as follows:

Bond name	Abbreviation	Code	Issue date	Expiry date	Issue size (RMB 100 million)	Interest rate (%)	Form of repayment	Trading venue
Non-public issuance of 2017 short-term corporate bond of China Galaxy Securities Co., Ltd. (Tranche 1) (Type 1)	17 Galaxy D1	145419.SH	2017/3/23	2017/9/23	13.7	4.80%	Interest will be paid once annually and the principal amount will be repaid upon maturity	SSE
Non-public issuance of 2017 short-term corporate bond of China Galaxy Securities Co., Ltd. (Tranche 1) (Type 2)	17 Galaxy D2	145420.SH	2017/3/23	2017/12/23	25.0	4.88%	Interest will be paid once annually and the principal amount will be repaid upon maturity	SSE

- (3) As of 31 December 2017, the Company publicly issued corporate bonds with an aggregate principal amount of RMB9.00 billion in total, and such corporate bonds were listed on the SSE. Details are set out as follows:

Bond name	Abbreviation	Code	Issue date	Expiry date	Issue size (RMB 100 million)	Interest rate (%)	Form of repayment	Trading venue
Public issuance of 2017 corporate bond of China Galaxy Securities Co., Ltd. (Tranche 1)	17 Galaxy G1	143158.SH	2017/7/10	2020/7/10	50.0	4.55%	Interest will be paid once annually and the principal amount will be repaid upon maturity	SSE
Public issuance of 2017 corporate bond of China Galaxy Securities Co., Ltd. (Tranche 2)	17 Galaxy G2	143294.SH	2017/9/18	2020/9/18	40.0	4.69%	Interest will be paid once annually and the principal amount will be repaid upon maturity	SSE



## SECTION V DIRECTORS' REPORT

### (4) Financing activities after the Reporting Period

Bond name	Abbreviation	Code	Issue date	Expiry date	Issue size (RMB 100 million)	Interest rate (%)	Form of repayment	Trading venue
Non-public issuance of 2018 corporate bond of China Galaxy Securities Co., Ltd. (Tranche 1) (Type 1)	18 Galaxy F1	150090.SH	2018/1/17	2020/1/17	35.0	5.55%	Interest will be paid once annually and the principal amount will be repaid upon maturity	SSE
Non-public issuance of 2018 corporate bond of China Galaxy Securities Co., Ltd. (Tranche 1) (Type 2)	18 Galaxy F2	150091.SH	2018/1/17	2021/1/17	15.0	5.65%	Interest will be paid once annually and the principal amount will be repaid upon maturity	SSE
Non-public issuance of 2018 corporate bond of China Galaxy Securities Co., Ltd. (Tranche 2) (Type 1)	18 Galaxy F3	150146.SH	2018/2/12	2020/2/12	12.0	5.60%	Interest will be paid once annually and the principal amount will be repaid upon maturity	SSE
Non-public issuance of 2018 corporate bond of China Galaxy Securities Co., Ltd. (Tranche 2) (Type 2)	18 Galaxy F4	150147.SH	2018/2/12	2021/2/12	10.0	5.70%	Interest will be paid once annually and the principal amount will be repaid upon maturity	SSE
Public issuance of 2018 corporate bond of China Galaxy Securities Co., Ltd. (Tranche 1)	18 Galaxy G1	143492.SH	2018/3/14	2021/3/14	25.0	5.15%	Interest will be paid once annually and the principal amount will be repaid upon maturity	SSE

All proceeds from the issue of the above bonds were used to replenish working capital.

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

Save as disclosed in "III. Bonds Issue" in this section and "Section VI Other Significant Events – VI. Other Significant Events" in this report, none of the Company or its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

### V. LIST OF DIRECTORS

For the list of Directors during the Reporting Period and as of the date of this report, please refer to "Section VIII. Directors, Supervisors, Senior Management and Staff" in this report.

### VI. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

All Directors have entered into a letter of appointment with the Company. Each of the letter of appointment for Chen Gongyan (Chairman), Liu Ruizhong (Director), Wang Zhenjun (Director), Liu Dingping (Director) and other Directors is effective from October 2016, September 2017, February 2018, February 2018 and 29 June 2015, respectively, to the expiry date of the term of office of the third session of the Board. Each Director is eligible for re-election upon the expiration of the term.

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



## SECTION V DIRECTORS' REPORT

### 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, Supervisors (and their connected entities) has any direct or indirect material interest in any material transaction, arrangement or contract entered into by the Company or its controlling shareholders or any of its subsidiaries.

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

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

### IX. RIGHTS OF DIRECTORS AND SUPERVISORS 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 corporate.

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

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

### XI. MANAGEMENT CONTRACTS

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

### XII. PERMITTED INDEMNITY PROVISION

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

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



## SECTION V DIRECTORS' REPORT

### XIII. EQUITY-LINKED AGREEMENT

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

### XIV. MAJOR CONTRACTS BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER

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

### XV. OTHER DISCLOSURES

#### (i) Pre-emptive rights

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

#### (ii) Sufficient public float

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

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

Nil.

#### (iv) Information on tax relief and exemption

##### Holders of A shares

Pursuant to the “Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies” (Cai Shui [2012] No. 85) (《財政部國家稅務總局證監會關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) and the “Notice on Issues concerning the Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies” (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)), for individual shareholders of the Company with the share holding period (being the period from the date on which the individual shareholder acquires the shares of a listed company from public offering of the company or from the stock market to the date preceding the date on which such individual shareholder disposes of such shares) of one month or less (one month inclusive), the incomes from dividends and bonuses shall be included into the taxable incomes in full amount (i.e., at an effective rate of 20%); if the share holding period is more than one month up to one year (one year inclusive), the incomes from dividends and bonuses shall be included into the taxable incomes at a reduced rate of 50% for the time being (i.e., at an effective rate of 10%), and if the share holding period is more than one year, the incomes from dividends and bonuses shall be temporarily exempt from individual income taxes. When a dividend is paid by a listed company, where the period of individual shareholding is within one year (one year inclusive), the listed companies shall not withhold the individual income tax temporarily. When an individual transfers the shares, the securities registration and clearing company shall calculate the actual taxable amount according to his/her share holding period. Custodian of shares including securities companies will withhold the tax amount from individual accounts and transfer the tax amount to the securities registration and clearing company. The securities registration and clearing company shall transfer the tax amount to the listed companies within 5 working days of the next month, and the listed companies shall declare the tax to the competent tax authorities upon receiving the tax amount within the statutory reporting period in that month. Individual income tax shall be paid for incomes from dividends and bonuses received by securities investment funds from listed companies in accordance with the requirements of the document numbered Cai Shui [2012] No. 85. For the shareholders of a resident enterprise, the cash dividend income tax shall be paid by the shareholders themselves.



## SECTION V DIRECTORS' REPORT

For QFII, according to the “Notice of the State Administration of Taxation on Issues Concerning the Withholding of Enterprise Income Tax on Dividends, Bonuses and Interest Paid to QFII by Chinese Resident Enterprises” (Guo Shui Han [2009] No. 47) (《國家稅務總局關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函[2009]47號)), a listed company shall withhold the enterprise income tax at the rate of 10%. If a preferential tax treaty (arrangement) treatment is applicable to the income of a QFII shareholder from dividends and bonuses, such QFII shareholder may apply for tax refund to the competent taxation authority in accordance with the relevant provisions upon receiving the dividends and bonuses.

### Holders of H Shares

Pursuant to the “Notice of the State Administration of Taxation on Issues Concerning the Levy of Individual Income Tax Following the Abolishment of the Document Numbered Guo Shui Fa [1993] No. 045” (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發【1993】045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函【2011】348號)), 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 competent 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 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) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函【2008】897號)), a PRC resident enterprise shall, when distributing dividends for 2008 and for the years afterwards to H shareholders who are overseas non-resident enterprises, withhold the enterprise income tax at a flat rate of 10%. According to the current practice of the Hong Kong Inland Revenue Department, no taxation is required to be paid on dividends paid by the Company in Hong Kong.

### (v) Reserves and distributable profit reserves

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

### (vi) Major clients and suppliers

The Company provides services for various types of individual and institutional clients in many industries. The customers of the Company include multinational corporations, medium and small-sized enterprises, high-net-worth clients and retail clients. Major clients are located in the PRC. The Company expects to serve more overseas clients as it expands to overseas markets. In 2017, the revenue derived from the top five clients of the Company accounted for 4.08% of its revenue and other income.

By virtue of the nature of its business, the Company has no major suppliers.



## SECTION V DIRECTORS' REPORT

### (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 adhered to the business idea of complying with laws and regulations, abided by social moralities and commercial ethics, effectively boosted the construction of enterprise culture effectively, actively undertaken its responsibilities towards the state, employees, clients and other stakeholders, while conscientiously safeguarding the rights and interests of shareholders and striving to maintain and increase the value of state-owned assets so as to promote the coordinated and sustainable development of the Company and the society. In 2017, the Group donated a total of RMB37.47 million to the society, of which subsidiaries and branches donated RMB1.99 million.

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

Under the background of the global issue of severe climate and environment, the Company actively responds to the call of the state on green development. On the one hand, it strictly abides by the “Environmental Protection Law”, the “Energy Conservation Law” and other laws and regulations. It actively advocates the environmental protection idea in emissions, resources consumption and green travel and puts them into action. It always implements green operation in the whole process of the operation and management of the Company. On the other hand, the Company focuses on the development of green finance. It optimizes social resources allocation through financial means to help enterprises reduce capacities and transform towards the direction of sustainable development and facilitate the development of green industries. The Company had no significant environmental protection problems and recorded no environmental lawsuits, significant punishment or non-economic punishment on in connection with environmental problems in 2017.

The Company is a financial enterprise focusing on business office affairs and with low energy consumption and light pollution. The routine resources consumption mainly includes office power, gasoline for official business vehicles, tap water and office paper. Major emissions are carbon emission from energy consumption, domestic sewage, office and domestic garbage from routine office and other harmless wastes.

The Company established the ESG management indicators system in 2017. Based on certain environmental indicators, it starts to conduct concentrated management on the use of resources and the disposal of emissions at all levels of the Company and collects environmental data from all channels of the Company on a unified basis. It publicizes the ESG management and standardizes the environmental data management of any companies under it through trainings and establishes the foundation for the environmental management of the Company.

In terms of standardizing green operation, the Company encourages clients to conduct off-site accounts opening and trading. Off-site accounts opening alone saved about 73 tons of paper for accounts opening contracts in 2017. To promote office resources saving, the Company invested RMB420,000 in changing the lighting equipment in the office area of 8,718.54 square meters at the headquarters from general fluorescent lamps into LED energy-saving lights. It can save electricity by 50% and save about 116,000 KWH every year. The Company has also adopted various measures for energy saving and environmental protection, such as promoting paperless office, strengthening the recycling of old and outdated electronic equipment and deepening the reform of business vehicles use.

The Company actively advocates and promotes green finance and participates in the preparation of various industrial standards and various work on promoting market development. It integrates them with the specific business of the Company and focuses on green bonds as the innovation of its corporate bond businesses. It actively explores the underwriting of green bonds with the purpose to indirectly protect the natural environment and ecological resources through promoting the development of green programs in the market. It also makes active attempts in promoting the healthy and orderly development of green industries, serving green enterprises and establishing green financial systems. The Company issued 6 green bonds with an aggregate underwriting amount of RMB3.5 billion in 2017.



## SECTION V DIRECTORS' REPORT

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

- (1) In terms of employment, the Company adheres to the principles of open recruitment, fair competition, overall appraisal and recruitment of outstanding candidates. The staff employed will sign the "Employment Contract" with the Company strictly in compliance with the "Labour Contract Law". It sets clear responsibilities and obligations between the Company and its staff and completely eradicates child labours and forced labours. The headquarters of the Company has conducted campus recruitment for five consecutive years. It recruited 19 fresh graduates into the headquarters in 2017 and accepted 2 demobilized army cadres. The Company attracted 354 outstanding talents necessary for business development into the headquarters and branches through social recruitment in 2017.
- (2) The Company sticks to putting people first, cares about the health and safety of its staff and safeguards their legitimate interests creating conditions for individual growth of its staff. The Company's labour union focuses on the development of the Company and considers the willingness and demands of employees as the ultimate work objective. It cares about the difficulties of employees in life, pays attention to the exchange of ideas and communications with them and strives to be their "close friends". The Company establishes an employee representative meeting and employees actively participate in company management through the employee representative meeting to conduct employees autonomy, safeguard their own legitimate rights and promote the improvement of the democratic management system of the Company.
- (3) The Company strictly abides by national laws and regulations on personnel and strives to improve relevant systems on human resources. It has management systems on the positions and ranking system, performance appraisal and remuneration allocation applicable to the headquarters and branches. The Company actively conducts innovation in training and builds and deepens the establishment of learning organizations to provide intellectual supports to the development of the Company. The Company attaches high importance to guaranteeing the safety of business premises and the physical safety of employees. The Company also cares about the physical and mental health of employees in working and guarantees that employees can enjoy working with physical and mental pleasure.

### **3. The Company strives to improve customer services**

The Company adheres to the new concept of development to handle correctly the material relations under development in accordance with the national financial requirements of providing services to resident investors and enterprises. The Company further intensifies financial services by optimizing business structure, improving service quality, responding to customer feedback, diversifying service means, extending service areas, protecting the rights and interests of investors, serving real economies and other aspects.

- (1) The Company evaluates the current environment and situation, and timely adjusts the business development mode and supporting management mechanism. The Company makes its transformation to the business mode of "double-wheel driving, coordinating development" with the "wealth management" and "investment banking" as the two wheels of its transformation development, and at the same time enhances the all-round coordination mechanism.
- (2) The Company continues to deepen its unified brokerage business management and service system and sets up an investment banking customer service headquarters. Through independent and careful management of customer service, the Company further increases customer communication and attention, and timely responds to customer needs so as to improve and enhance its service quality.



## SECTION V DIRECTORS' REPORT

- (3) The Company sets up a leading group and working group for handling customer complaints to coordinate and manage complaints from brokers business clients. The related departments carry out division of responsibilities. The Company also actively assumes the primary responsibility of mediating and dealing with conflicts and disputes for investors to properly deal with the special compensation work for investors. In 2017, the satisfaction feedback of general existing clients and the satisfaction evaluation by telephone for customer satisfaction reached 81.47% and 90.66%, respectively.
- (4) The Company caters for customer needs, providing customers with various trading tools. Customers can complete a transaction through Internet, mobile terminals (including mobile phones, tablet PCs, etc.), telephone, counter and outlets trading terminals and other means. Currently, the Company is committed to improving customer experience continuously, diversifying products suitable for internet marketing, and providing the comprehensive financial services with characteristics of the Company and meeting individualized needs through the innovation in products, channels, services and marketing and the application of the Internet operating service concept. In 2017, the proportion of off-site transactions for individual investors of the Company exceeded 98.85%, of which 61% were for online transactions. Of the newly signed investors (including individual, institutional and product investors) in 2017, 92.78%<sup>1</sup> of the clients opened their accounts online.
- (5) In order to provide convenient and accurate financial services in more regions and establish efficient communication channels with its stakeholders to serve more extensive customers, the Company established 110 new securities branches<sup>2</sup> nationwide in 2017 with a total of 470 branches, covering 31 provinces, autonomous regions and municipalities excluding Taiwan region. As of the end of 2017, the Company was the securities firm with the highest number of securities outlets in the PRC and had served 9.7 million domestic brokerage business clients. Overseas outlets (in Hong Kong) and 28 futures business outlets have provided customers with extended services.
- (6) The Company actively carries out its social responsibilities of respecting and protecting rights and interests of investors<sup>3</sup> and regards investor protection as an important task for promoting the healthy development of the market. The Company pragmatically promotes the protection of investors by improving the management of investors on appropriateness, increasing the efforts to crack down illegal fund-raising, preventing illegal securities activities, strengthening the education of small and medium-sized investors and other practical and effective measures. In October 2017, the investor education platform of the Company (edu.chinastock.com.cn) was awarded the title of "National Securities and Futures Investor Education Base" by the CSRC. In 2017, the Company sent nearly 40 products for investor education to the platform, including videos, posters and graphics. In particular, the products on the explanation about new rules of appropriateness, the original hand-painted posters series, introduction of knowledge in delisting and convertible bonds were released on the "Baichuan Zhongxue (百川眾學)" platform, and actively cooperated to complete a "SSE Microlecture" to share experiences in investor education. In 2017, with the formal implementation of the new rules of appropriateness, the Company took "implementing the appropriateness management to protect investor's rights and interests" as the theme of the annual investor education activities. In 2017, the Company cooperated with the SSE in promoting the online collective reception day activity of listed companies and held two special events "I am a shareholder" for securities firms. The Company cooperated with the Shenzhen Stock Exchange in conducting 6 "Voice of Investors" investigations and questionnaire surveys. The Company, as a co-organizer, successfully held a launching ceremony for combating unlawful activity month and a health running activity of "staying away from illegal securities activities, sending positive energy" with the Securities Association of China.

<sup>1</sup> The proportion of the number of online accounts to the number of new contracts excluding the number of deregistered accounts.

<sup>2</sup> Subject to the obtaining of permits.

<sup>3</sup> The term "Investor" in this subsection represents investors in capital markets in the broad sense, being clients or potential clients of the Company.





## SECTION V DIRECTORS' REPORT

- (7) The Company actively responds to the state's social responsibility requirements for financial institutions, which directs the Company for transformation and development so as to effectively playing its role as a modern investment bank. Taking "serving real economies" as its starting points and ultimate goal, the Company identifies the actual financial needs from serving real economies in order to continuously improve its ability and level of serving real economies. In 2017, Galaxy International Holdings, a subsidiary of the Company, and CIMB Group Sdn Bhd entered into a share sale and purchase agreement to further deepen the undertakings of the Company in the "Belt and Road". The Company has repeatedly conducted business exchanges with the Singapore Stock Exchange and the Monetary Authority of Singapore.

#### 4. The Company insists on compliance operation according to law and being responsible for the market and shareholders

With mastering the function positioning of securities companies as the core, the Company focuses on improving the professional capacity to guarantee safety in transactions. It strictly controls systematic risks and strengthens legal compliance operation. It strives to be a stabilizer in economic development instead of a financial trouble maker in order to be responsible for the market and shareholders.

- (1) Enhancing communications between the Company and investors<sup>4</sup>. The Company completed the listing of A Shares in 2017, and the structure and number of its shareholders have changed significantly. The Company further refined and improved the management on investor relations and conducted innovation in the working method and strived to improve the information communication channels between the Company and investors, transmitted the voice of the Company to the market and investors in a right way and open channels for investors to learn about the Company.
- (2) Conducting procurement work openly. For compliance procurement, on the basis of the establishment and improvement of the procurement management system, the Company conducts process and standardized management on the selection, appraisal and cooperation with external suppliers and sets clear requirements on the law-abiding, business reputation, products and services quality of suppliers. The procurement management department of the Company maintains multi-level liaisons with important suppliers, strengthens the review on the qualification of shortlisted suppliers and conducts field investigations on suppliers based on the demands of programs. It refuses disqualified suppliers to enter the Company and regularly conducts appraisal on suppliers with long-term partnership in the supplier catalogue. It reassesses qualified suppliers every two years on average. In 2017, Company revised the "Measures for the Administration of Procurement by the Headquarters of the Company" and entered into cooperation agreements with 124 suppliers through bidding and business negotiation during the year.
- (3) Ensuring safe system operations. The Company has implemented a safe and efficient technical structure with "three centres in two regions" and established a two-level redundant network structure covering three centres in two regions and all branches. It has also established the concentrated trading centre and the data centre on the basis to ensure the safety of trading channels and environments. The Company increased inputs and conducted the construction of firewalls, anti-virus, safety certification, penetration testing and other infrastructure on information safety, thus carrying out a risk assessment on the whole information system. It strengthened the safety protection against computer virus and online attacks to ensure the overall safety of the information system through various defences. In the evaluation on the classified protection of information security in recent years, the Company has scored over 96 points in successive years.

<sup>4</sup> The term "Investor" in this subsection represents investors of Galaxy Securities in the narrow sense, being shareholders and potential investors of Galaxy Securities.



## SECTION V DIRECTORS' REPORT

- (4) Legal compliance operation. Based on the requirements of the “Administrative Measures on Compliance of Securities Firms and Securities Investment Fund Management Companies” issued by the CSRC, the “Guideline for the Implementation of the Compliance Management of Securities Companies” issued by the Securities Association of China with five basic compliance management systems, namely the Articles of Association, the “Compliance Management System”, the “Compliance Code”, the “Information Fire Wall Management Measures” and the “Anti-Money Laundering and Anti-Terrorism Financing Management System”, as the core as well as other specific rules on compliance management, the Company establishes a multi-layered compliance management system with the Board of Directors and the Compliance and Risk Management Committee, the Board of Supervisors, senior management, compliance officer, the Legal Compliance Department, responsible persons and compliance management of units under it (referring to all departments, branches and subsidiaries) and all working staff. In 2017, the Company had no lawsuit on fraud transaction nor money laundering transaction escalating to the level of legal action.
- (5) Overall risk management. The Company has been devoted to promote the idea that risk management creates value. It gradually promotes the overall risk management through identifying, appraising, monitoring, analyzing and dealing with various risks. The risks from the operating activities of the Company mainly include market risks, credit risks, liquidity risks and operation risks. The Company has taken effective measures and actively responded to them. It has prevented serious risk incidents on the whole and guaranteed the commencement of operating activities in a safe manner.
- (6) Anti-corruption. The Company attaches high importance to the honesty of its staff and highlights the fostering of professional ethics. It sets itself against embezzlement, bribery and corruption incidents. It improves anti-embezzlement, anti-bribery and anti-corruption work through early prevention, process monitoring and post review and rectification. There was no lawsuit against fraud and bribery laws in 2017.

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

28 March 2018



## SECTION VI OTHER SIGNIFICANT EVENTS

### I. MATERIAL LITIGATION AND ARBITRATION

In 2017, the Company had no additional material litigation or arbitration involving an amount of over RMB10 million and representing 10% the latest audited net assets of the Company as required to be disclosed under the SSE Listing Rules.

Of the three material litigations disclosed in the 2016 annual report of the Company, final decision has been made for one, which has been disclosed in the 2016 annual report. For the remaining two material litigations and one additional litigation in 2017, the update of their status is as follows:

**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**

Currently, the case is in the first instance process.

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

On 26 January 2016, Tang Latou applied to Jiangsu Provincial Higher People's Court for a retrial. On 19 April 2017, Jiangsu Provincial Higher People's Court reached its decision and rejected the retrial application by Tang Latou.

On 20 July 2017, the Company received a complaint brought by Tang Latou against Nanjing Jiangdong Middle Road Securities Branch and the Company that was sent by post by the People's Court in Jianye District, Nanjing for a retrial, in which Tang Latou alleged that the securities branch and the Company did not perform the management obligations and requested the Court to order the securities branch and the Company to compensate him for his loss of RMB8,614,000. On 31 October 2017, the People's Court in Jianye District, Nanjing reached its decision in the first instance and rejected the retrial application by Tang Latou. To the knowledge of the Company, Tang Latou did not make any appeal and the judgement of the first trial became effective.

**3. Civil action brought by the Bank of Qinghai against four entities and individuals including Shenyang Dabeiguan Street Securities Branch in relation to government bonds transaction dispute**

On 28 February 2017, Bank of Qinghai Co., Ltd. (青海銀行股份有限公司) required Shenyang Dabeiguan Street Securities Branch of the Company and Dalian Changfu Ruihua Group Co., Ltd. (大連長福瑞華集團有限公司) to pay the principal capital and related income of government bonds, liquidated damages and the cost for the realization of creditor's rights, totaling over RMB98 million, by alleging that Shenyang Youth Street Securities Branch of China Galaxy Securities Limited Liability Company (中國銀河證券有限責任公司) sold the government bonds which the Bank of Qinghai entrusted the securities branch to purchase in 2003, and made the proceeds available to Dalian Changfu Ruihua Group Co., Ltd. without informing it.

Shenyang Dabeiguan Street Securities Branch of the Company was established after the establishment of the Company. In addition, China Galaxy Securities Limited Liability Company still exists and has been renamed to China Galaxy Investment Management Company Limited. Meanwhile, the Company has handed over the relevant information to China Galaxy Investment Management Company Limited.

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



## SECTION VI OTHER SIGNIFICANT EVENTS

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

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

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

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

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

### IV. MATERIAL CONNECTED TRANSACTIONS

The major daily connected transactions of the Company are as follows: For related party transactions as defined by the relevant accounting standards during the Reporting Period, please refer to "Related Party Transactions" under Note 53 of the Consolidated Financial Statements for details. Of these related party transactions, the transactions between the Company and Galaxy Financial Holdings (Note 53(a)(1)) constituted continuing connected transactions under Chapter 14A of the Stock Exchange Listing Rules (please see below for details). Other related party transactions did not constitute connected transactions under Chapter 14A of the Stock Exchange Listing Rules.

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

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

On 2 May 2013, the Company entered into the "Securities and Financial Services Framework Agreement" with Galaxy Financial Holdings, pursuant to which the Company shall provide securities and financial services based on normal commercial terms to Galaxy Financial Holdings and its subsidiaries ("Galaxy Financial Holdings Group"), including (1) securities brokerage services, (2) sales agency services, (3) leasing of exchange trading units and (4) other related securities and financial services. The Group shall receive service charges and commissions from Galaxy Financial Holdings Group for the provision of such services and shall pay interest to Galaxy Financial Holdings Group in respect of its funds entrusted to the Group in connection with such services. The service charges and commissions receivable and interests payable by the Group shall be based on negotiation between the parties with reference to the prevailing market rates and shall be in compliance with the applicable laws and regulations. The Framework Agreement came into force on the H Share Listing Date (being 22 May 2013) for a term of three years. On 29 December 2015, the Company and Galaxy Financial Holdings entered into the "Supplemental Agreement to the Securities and Financial Services Framework Agreement" (the "Supplemental Agreement"), whereby the term of the Framework Agreement was extended to 31 December 2018 and it is renewable for another three years subject to compliance with the relevant laws and the Stock Exchange Listing Rules. Galaxy Financial Holdings is the controlling shareholder of the Company and therefore a connected person of the Company. As such, the transaction constitutes a continuing connected transaction of the Company under the Stock Exchange Listing Rules.



## SECTION VI OTHER SIGNIFICANT EVENTS

For the three years ending 31 December 2018, the annual caps of the service charges and commissions payable by Galaxy Financial Holdings Group to the Group for the provision of securities and financial services under the Framework Agreement (as renewed by the Supplemental Agreement) will be RMB530 million, RMB580 million and RMB640 million, respectively, and the annual caps of the interest payable by the Group to Galaxy Financial Holdings Group for the entrusted funds will be RMB40 million, RMB60 million and RMB80 million, respectively. As the applicable percentage ratios under the Stock Exchange Listing Rules in respect of the annual caps are more than 0.1% but less than 5%, the transactions are subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirements under the Stock Exchange Listing Rules.

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

Unit: RMB in 10 thousand

	Annual cap for 2017	Actual transaction amount for 2017
<b>Revenue</b>		
Securities brokerage services		1,461
Sales agency services		3,969
Leasing of exchange trading units		2,167
Other related securities and financial services		540
<b>Total</b>	<b>58,000</b>	<b>8,137</b>
<b>Expenses</b>		
Interest expenses		115
<b>Total</b>	<b>6,000</b>	<b>115</b>

Notes:

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



## SECTION VI OTHER SIGNIFICANT EVENTS

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

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

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

As the applicable percentage ratios as set out in the Stock Exchange Listing Rules represented by the annual caps of the continuing connected transactions are more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders’ approval requirement under the Stock Exchange Listing Rules. Pursuant to the “Administrative Measures for Connected Transactions”, however, the transactions contemplated under the Framework Agreement are subject to the consideration and approval by the shareholders’ general meeting of the Company. Independent shareholders of the Company had approved the continuing connected transactions at the first extraordinary general meeting of the Company for 2016 held on 24 March 2016. During the Reporting Period, the connected transactions of the Company under the Framework Agreement were set out in the table below:

Unit: RMB in 10 thousand

Types of transaction	Annual cap for 2017	Actual transaction amount for 2017
<b>Transactions in relation to the subscription or redemption of public funds and segregated accounts</b>		
Subscription amount of public funds and segregated accounts (including subscription fee)	200,000	52,099
Redemption amount of public funds and segregated accounts (including redemption fee)	200,000	52,137
<b>Dealer-quoted bond repurchase transactions</b>		
Value of the bond assets pledged by the Company to Galaxy Fund Management	202,000	–
Amount of financing provided by Galaxy Fund Management to the Company	200,000	–
Financing interests payable by the Company to Galaxy Fund Management	180	–



## SECTION VI OTHER SIGNIFICANT EVENTS

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

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

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

As the applicable percentage ratios (either alone or together with the dealer-quoted bond repurchase transactions between the Company and Galaxy Fund Management) as set out in the Stock Exchange Listing Rules represented by the annual caps of the continuing connected transactions are more than 0.1% but less than 5%, such transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders’ approval requirement under the Stock Exchange Listing Rules. During the Reporting Period, the connected transactions of the Company under the Framework Agreement were set out in the table below:

Unit: RMB in 10 thousand

Types of transaction	Annual cap for 2017	Actual transaction amount for 2017
<b>Dealer-quoted bond repurchase transactions</b>		
Value of the bond assets pledged by the Company to Galaxy Financial Holdings	56,000	44,000
Amount of financing provided by Galaxy Financial Holdings to the Company	50,000	40,040
Financing interests payable by the Company to Galaxy Financial Holdings	175	39

### (iv) Securities and Financial Products Transactions Framework Agreement between the Company and Galaxy Financial Holdings

On 6 June 2017, the Company entered into the “Securities and Financial Products Transactions Framework Agreement” with Galaxy Financial Holdings, pursuant to which the Group will provide securities and financial products transactions services to Galaxy Financial Holdings Group on normal commercial terms, which mainly include: (1) securities products with fixed income features, (2) fixed income related derivative products, (3) equity related products, (4) financing transactions, and (5) other related securities and financial products transactions permitted by the regulatory authorities. The Company conducted securities and financial products transactions with Galaxy Financial Holdings on normal commercial terms at the prevailing market prices or market rates of similar transactions with independent third parties. The pricings of such transactions are subject to the strict PRC regulatory supervision and the requirements of applicable PRC laws and regulations. The Framework Agreement shall take effect upon obtaining the approvals from the independent shareholders of the Company and the shareholders of Galaxy Financial Holdings, and shall expire on 31 December 2019. The Framework Agreement may be renewed for another three years subject to compliance with the relevant laws, regulations and listing rules of the jurisdictions where the shares of the Company are listed. Galaxy Financial Holdings is the controlling shareholder and therefore a connected person of the Company. As such, the above transactions constitute continuing connected transactions of the Company under the Stock Exchange Listing Rules.



## SECTION VI OTHER SIGNIFICANT EVENTS

For the three years ending 31 December 2019, the cap for the total cash inflow of the Group generated from the securities and financial products transactions (excluding financing transactions) under the Framework Agreement with Galaxy Financial Holdings Group is RMB63,000 million, RMB75,000 million and RMB87,000 million, respectively; the cap for the total cash outflow of the Group is RMB57,000 million, RMB70,000 million and RMB79,000 million, respectively. The maximum daily balance (including the interest payable) of the financing provided by Galaxy Financial Holdings Group to the Group through pledge repurchase transactions is RMB10,500 million.

As the applicable percentage ratios as set out in the Stock Exchange Listing Rules represented by the annual caps of the continuing connected transactions are more than 5%, the transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the Stock Exchange Listing Rules. Independent shareholders of the Company had approved the continuing connected transactions at the 2016 annual general meeting of the Company held on 22 June 2017.

During the Reporting Period, details about the securities and financial products transactions between the Group and Galaxy Financial Holdings Group were set out in the table below:

Unit: RMB in 10 thousand

Items	Annual cap for 2017	Actual transaction amount for 2017
<b>Total cash inflow of the Group from Galaxy Financial Holdings Group</b>	<b>6,300,000</b>	<b>772,401</b>
1. Cash inflow from fixed income products		772,401
2. Cash inflow from fixed income related derivative products		
3. Cash inflow from equity related products		1,000
4. Cash inflow from other related businesses and management transactions		
<b>Total cash outflow of the Group to Galaxy Financial Holdings Group</b>	<b>5,700,000</b>	<b>734,491</b>
1. Cash outflow from fixed income products		733,378
2. Cash outflow from fixed income related derivative products		
3. Cash outflow from equity related products		1,113
4. Cash outflow from other related businesses and management transactions		
<b>Maximum daily balance (including interest payable) of the financing provided by Galaxy Financial Holdings Group to the Group through pledge repurchase transactions</b>	<b>1,050,000</b>	<b>15,022</b>





## SECTION VI OTHER SIGNIFICANT EVENTS

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

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

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

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

In respect of the disclosed continuing connected transactions:

- a. nothing has come to our attention that causes us to believe that the 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 2017 disclosed in the relevant announcements made by the Company in respect of the disclosed continuing connected transactions.

## V. CONTRACTS OF SIGNIFICANCE AND THEIR PERFORMANCE

### (i) Leases

During the Reporting Period, the Group and China Galaxy Investment Management Company Limited entered into a property lease contract, under which the rent for 2017 was RMB122.0886 million. The Group and TravelSky Technology Limited entered into a co-operation agreement (plant lease), under which the rent for 2017 was RMB19.1096 million. The Group and China Unicom entered into a property lease contract for a term of five years, under which the total contracted amount was RMB53.7631 million. The abovementioned contract amounts shall be paid quarterly or monthly. Save for the above, during the Reporting Period, the Company had not engaged in any material lease (with an amount of over RMB10 million) and no such matters were carried forward to the Reporting Period from the previous period.



## SECTION VI OTHER SIGNIFICANT EVENTS

### (ii) Guarantees

Unit: RMB in million

External guarantees by the Company (excluding guarantees for its subsidiaries)													
Guarantor	Relationship between guarantor and the listed company	Guaranteed party	Guaranteed amount	Effective date (date of agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Whether the guarantee has been performed	Whether the guarantee is overdue	Overdue amount	Whether there is counter guarantee	Whether the guarantee is for related parties	Relationship
Nil													
Total amount of guarantee during the Reporting Period (excluding guarantees for the subsidiaries)													Nil
Total balance of guarantee as at the End of the Reporting Period (A) (excluding guarantees for the subsidiaries)													Nil
Guarantees provided by the Company and its subsidiaries to subsidiaries													
Total amount of guarantees provided for its subsidiaries during the Reporting Period													3,000.0
Total balance of guarantees provided for its subsidiaries as at the End of the Reporting Period (B)													3,000.0
Total amount of guarantees provided by the Company (including those provided for its subsidiaries)													
Total amount of guarantees (A+B)													3,000.0
Total amount of guarantees as a percentage of the Company's net assets (%)													4.62
Of which:													
Amount of guarantees provided for shareholders, beneficial controller and related parties (C)													-
Amount of debt guarantees provided directly or indirectly for companies with gearing ratio of over 70% (D)													-
Total amount of guarantees in excess of 50% of net assets (E)													-
Sum of the above three guarantees (C+D+E)													-
Description of outstanding guarantees which may incur several and joint liability													
Notes on guarantees													

On 30 March 2017, the “Proposal on the Review of Galaxy Jinhui’s Application to Galaxy Securities for an Increase of Net Capital Guarantee” was passed at the 23rd meeting of the third session of the Board, during which it was agreed to provide a net capital guarantee of RMB3 billion to Galaxy Jinhui so as to meet the needs of its business development. Such proposal was considered and passed at the general meeting. As of the end of 2017, the guarantee has not been performed.

### (iii) Other material contracts

As of the End of the Reporting Period, the Company entered into a software purchase contract of RMB24.20 million with Beijing Com&Lan System Tech. Corp., Ltd. (北京昆侖聯通科技發展股份有限公司) and a data center service contract of RMB10.2933 million with SSE Technology Co., Ltd. (上交所技術有限責任公司). Save for the above, during the Reporting Period, the Company had not engaged in any material purchases (with an amount of over RMB10 million) and no such matters were carried forward to the Reporting Period from the previous period.



## SECTION VI OTHER SIGNIFICANT EVENTS

### VI. OTHER SIGNIFICANT EVENTS

#### 1. Changes in individual business qualifications during the Reporting Period

Nil.

#### 2. Acquisitions, mergers or divisions during the Reporting Period

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

On 23 March 2017, the “Proposal for Reviewing the Matters relating to the Acquisition and Merger Project of CIMB” was passed at the 24th meeting of the third session of the Board, during which it allowed the Company to finance Galaxy International Holdings as an entity to conduct the acquisition and the funding for the acquisition would be provided through priority capital injection and other suitable ways. On 6 June 2017, Galaxy International Holdings entered into a sale and purchase agreement with CIMB Group Sdn Bhd, pursuant to which Galaxy International Holdings agreed to conditionally purchase ordinary shares equivalent to 50% of the issued share capital of CIMB Securities International Pte. Ltd. at completion for a consideration of SG\$166,964,921 (subject to adjustment upon the audit, if any). On 18 January 2018, Galaxy International Holdings and CIMB Group Sdn Bhd agreed in writing to amend certain terms of the purchase and sale agreement. All of the conditions precedent to completion have been fulfilled or waived as agreed between the parties and pursuant to the purchase and sale agreement, and as such, Completion and payment of the initial consideration took place on 18 January 2018. Immediately after completion, each of Galaxy International Holdings and CIMB Group Sdn Bhd holds 50% of the issued share capital of CIMB Securities International Pte. Ltd. For details, please refer to the announcements of the Company dated 6 June 2017 and 18 January 2018.

#### 3. Increase in capital of subsidiary

- (1) On 24 March 2016, the “Proposal on the Review of Increase of Registered Capital of the Hong Kong Subsidiary” was passed at the eleventh meeting of the third session of the Board. In order to support the business development of Galaxy International Holdings, it was proposed to increase its registered capital by HK\$4 billion. After the capital increase, the registered capital of Galaxy International Holdings would be HK\$5 billion. Such capital would be injected by phase taking into account the operating condition of Galaxy International Holdings and its actual capital requirement. On 18 August 2017, the CSRC issued the “Reply to the Opinion on the Capital Increase by China Galaxy Securities Co., Ltd. to China Galaxy International Financial Holdings Company Limited” (Ji Gou Bu Han [2017] No. 2035), which expressed no objection towards the Company’s first phase capital increase of US\$289 million to Galaxy International Holdings. On 30 August 2017, the Company completed procedures related to foreign exchange registration and capital transfer in accordance with the relevant regulations of the State Administration of Foreign Exchange.
- (2) On 30 March 2017, the “Proposal on the Review of the Report regarding Galaxy Jinhui’s Application to its Parent Company, Galaxy Securities, for an Increase of its Registered Capital” was passed at the 23rd meeting of the third session of the Board, during which it was agreed to increase Galaxy Jinhui’s registered capital by RMB0.5 billion to RMB1 billion. On 11 April 2017, the above capital increase was completed.

On 30 August 2017, the “Proposal on the Review of Further Increase of Registered Capital of Galaxy Jinhui” was passed at the 31st meeting of the third session of the Board, during which it was agreed to increase Galaxy Jinhui’s registered capital by RMB1 billion. After the capital increase, the registered capital of Galaxy Jinhui would be RMB2 billion. As at the End of the Reporting Period, the above capital increase had not been completed.

- (3) On 30 March 2017, the “Proposal on the Review of the Report regarding a Capital Increase Application of Galaxy Yuanhui Investment Co., Ltd.” was passed at the 23rd meeting of the third session of the Board, during which it was agreed to increase Galaxy Yuanhui’s registered capital by RMB1.15 billion to RMB1.5 billion. On 11 April 2017, the above capital increase was completed.



## SECTION VI OTHER SIGNIFICANT EVENTS

### 4. Issue of shares and fund raising

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

As of 31 December 2017, the proceeds were fully utilized by the Company. The balance of the special account for the proceeds was zero, and such account was cancelled on 23 November 2017.

### 5. Administrative regulatory measures against the Company and its branches and related matters during the Reporting Period

During the Reporting Period, the Company continued to enhance the timeliness, appropriateness and effectiveness of dealing with risky matters and further optimized the Company's related systems and procedures to prevent compliance risk. Details are as follows:

#### (1) Qinhuangdao Securities Branch was imposed administrative supervision measure of "increasing the number of internal compliance inspection" by Hebei Regulatory Bureau of the CSRC

During the Reporting Period, the Qinhuangdao Securities Branch of the Company received the "Decision of Adoption of Measures for Increasing the Number of Internal Compliance Inspection Against Qinhuangdao Securities Branch of China Galaxy Securities Co., Ltd." ([2017] No. 3) from Hebei Regulatory Bureau of the CSRC. In view of the deficient internal control of the Qinhuangdao Securities Branch of the Company, Hebei Regulatory Bureau of the CSRC decided to impose administrative supervision measure of increasing the number of internal compliance inspection on the Qinhuangdao Securities Branch.

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

#### (2) Sponsorship business was imposed self-regulatory measure of "asking for submitting written commitment" by the National Equities Exchange and Quotations

During the Reporting Period, the Company received the "Decision of Adoption of Self-regulatory Measure by China Galaxy Securities Co., Ltd." (Gu Zhuan Xi Tong Fa [2017] No. 62, hereinafter referred to as the "Decision"). The Decision stated that the Company, as the host broker of Beijing Rising Information Technology Co., Ltd., had not been aware during the examination of the fact that such company applied the financial information contained in the non-conclusive Audit Report in the "Public Transfer Prospectus" 《公開轉讓說明書》, which resulted in errors being found in part of the information in the financial statements of the "Public Transfer Prospectus". In such regard, the Company did not perform its duties of due diligence nor guarantee that the information disclosed in the listing application documents was true, accurate and complete. Therefore, the National Equities Exchange and Quotations decided to impose the self-regulatory measure of "asking for submitting written commitment" on the Company.

Upon receiving the Decision, the Company severely criticized the related staff with education and organized various learning courses and trainings for New OTC Board business departments to raise their awareness of regulatory requirements and to further secure the full implementation of regulatory rules by operation staff. In addition, the Company further enhanced and implemented a series of rules and regulations for the purpose of improving the quality of project documents according to the issues identified in such event and the latest regulatory measures, including the "Quality Control and Management Rules for the Documents Submitted Externally for New OTC Board Listing Business" and the "Notice of Concerning Matters of Further Enhancing the Document Quality of New OTC Board Business". Furthermore, the Company refined its review standards,



## SECTION VI OTHER SIGNIFICANT EVENTS

drafting standards, document quality appraisal and rewards and punishment mechanism in its practices and further optimized the reminding, supervision and cross-check mechanism for internal work of the departments undertaking the projects to ensure the accuracy of the contents of listing application documents for avoiding the reoccurrence of similar mistakes.

### **(3) Few practitioners (mainly securities brokers) engaged in stock transactions**

On 13 April 2017, the CSRC released the “Decision of Adoption of Measures by China Galaxy Securities Co., Ltd. to Rectify the Situation, Increase the Number of Internal Compliance Inspection and Submit Compliance Inspection Report” (Ji Gou Bu Han [2017] No. 42), which stated that the Company’s practitioners engaged in stock transactions, and ordered the Company to rectify the situation, increase the number of internal compliance inspection and submit compliance inspection report.

The Company seriously adopted a series of rectification measures for responding to the issues raised by regulatory authority. First, the Company continuously organized practice standards compliance trainings for the practitioners, provided and gave multi-layer and multi-aspect compliance training and warning by way of learning and examination, through onsite and offsite self-learning and training, and requested practitioners to sign compliance undertaking so as to raise awareness of compliance of practitioners. Second, the Company further enhanced the effectiveness of regulation and management measures for the compliance of investment activities of practitioners in each department and branch, which required such department and branch to promptly report, update and continuously manage the information and account opening of their own practitioners. Third, the Company extended the scope of review, increased the review frequency, further optimized the review procedures, semi-annually checked the securities accounts opening of all staff (including securities brokers) through China Securities Depository and Clearing system, performed real-time check for the securities accounts opening of newly recruited staff, and required practitioners to transfer or designate the custodian of their securities accounts to the operation department of the Company. Fourth, the Company strengthened daily monitoring on the investment activities of staff through monitoring system to promptly identify abnormal transactions and deal with the situation. Fifth, the Company strengthened the punishment against those staff violating investment regulations, and warned and criticized the staff failing to transfer or designate the custodian of their securities accounts to the operation department of the Company or to report their activities within the given period. For those who did not comply with the Company’s regulations or carry out investment in violation of rules after warning, the Company would seriously deal with them in accordance with the “Staff Punishment Measures”.

### **(4) Individual operation staff did not report the actual mobile phone number they use and place orders on behalf of clients**

During the Reporting Period, the Company found out the abnormal situation in a daily inspection that several customers of Zhang Chao, the account manager of Wenzhou Danan Street Securities Branch, used the same mobile phone number to place orders. Upon a further inspection and inquiring Zhang Chao, it confirmed that the mobile phone number that Zhang Chao actually used was not the same as that he reported to the Company. Zhang Chao also admitted that he shared the same mobile phone number with Zhang Guangsen, placed transaction orders on behalf of some clients with such phone number and borrowed others’ securities accounts to carry out share trading.

The Company seriously handled the case according to relevant requirements and the “Compliance Undertaking Letter” signed by Zhang Chao. The Company ordered Zhang Chao, the account manager, to resign and discharged his labor contract, revoked Zhang Chao’s compliance bonus for the year 2016, deducted part of the performance bonus of the compliance manager of the Business Department and the director of the Marketing Department, respectively, for the year 2016 as punishment and promptly submitted the report on self-investigation and self-rectification through CISP system for the above situation. In addition, the Company adopted the following measures to further enhance the management on staff’s code of conduct: firstly, the Company enhanced the management of staff’s mobile phones and required staff to report all mobile phone numbers and related phone numbers in use for facilitating system monitoring; secondly, the Company increased



## SECTION VI OTHER SIGNIFICANT EVENTS

the frequency of staff training to give a warning signal; thirdly, the Company paid more attention to analyze and enquire the contents of major letters concerning abnormal transactions conducted by customers of securities exchanges and strengthened investor education according to the analysis result; fourth, the Company fully investigated the consistency of transaction activities of various customers under the same staff through data analysis and visited clients more frequently.

### **(5) Wenzhou Danan Street Securities Branch of the Company received a decision of administrative punishment**

During the Reporting Period, Wenzhou Danan Street Securities Branch of the Company received a decision of administrative punishment issued by the Wenzhou Center Sub-branch of the People's Bank of China. The securities branch was imposed a fine of RMB400,000 as it failed to perform the obligation in identifying the identification of clients and to submit reports on suspicious transactions pursuant to regulations and failed to re-conduct risk identification on clients who had been investigated. The general manager and compliance manager of the securities branch were also imposed a total fine of RMB27,000.

For the administrative punishment, the Company adopted the following measures: It issued a notice of criticism on the securities branch and relevant staff and gave the punishment of deducting the points on compliance appraisal for 2017. Meanwhile, it required all working staff of all departments of the headquarters of the Company, all subsidiaries and branches to take it as a lesson, attach high importance to anti-money laundering and prevent money laundering risks in a practical way.

### **(6) Galaxy Futures, a subsidiary, was imposed administrative regulatory measures**

During the Reporting Period, Galaxy Futures, a subsidiary of the Company, received the "Administrative Regulatory Measures Decision Letter" ([2017] No. 56) issued by Beijing Securities Regulatory Bureau. Galaxy Futures was imposed administrative regulatory measures and instructed to rectify the irregular operation in individual asset management plans where investment consultants directly placed orders in the OTC system of stock exchanges without going through the risk control system of the Company and without the confirmation of traders. After receiving the "Administrative Regulatory Measures Decision Letter", Galaxy Futures conducted overall rectification, re-consolidated all internal management systems and process of wealth management centers to improve the risk management work strictly according to the requirements of regulatory authorities. It also submitted a written rectification report within the period required by regulatory authorities.

During the Reporting Period, Shanghai branch of Galaxy Futures was imposed administrative regulatory measures and instructed to conduct rectification by Shanghai Securities Regulatory Bureau as its handlers failed to strictly implement the risk warning requirements on asset management business. Galaxy Futures carefully conducted rectification, established and improved the investor suitability management system, specified the duties of positions and consolidated the audit process strictly according to the requirements of regulatory authorities. It submitted a written rectification report to Shanghai Securities Regulatory Bureau on 12 December 2017.



## SECTION VI OTHER SIGNIFICANT EVENTS

### VII. OTHER SUBSEQUENT EVENTS

1. Taiping Fund Management Co., Ltd. filed an arbitration to Shanghai International Economic and Trade Arbitration Commission on 19 January 2018 and identified the Company as the counterparty. It requested the Company to repay the facility amount with a total of RMB144,670,000 under four agreed repurchase transactions and the financing interest with a total of RMB398,337.86 and calculated the compensatory and penalty interests based on a daily basis from the maturity and settlement date of the four repurchase transactions. It was found out that the counterparty conducting the bond pledge agreed repurchase transactions with Taiping Fund is “Galaxy Huida Yihe Targeted Asset Management Plan No. 109 (銀河匯達易禾109號定向資產管理計劃)”, a targeted asset management product of Galaxy Jinhui, a subsidiary of the Company. The product is a brokerage client of the Company and the Company provides it with trading orders application services. Taiping Fund filed the arbitration as it failed to reach an agreement with the principal of the product on the disposal plan on the breach of contract.
2. On 6 June 2017, Galaxy International Holdings entered into a sale and purchase agreement with CIMB Group Sdn Bhd to conditionally purchase ordinary shares equivalent to 50% of the issued share capital of CIMB Securities International Pte. Ltd. at completion for a consideration of SG\$166,964,921. Completion and payment of the initial consideration of SG\$150,268,429 took place on 18 January 2018.

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

Among the classification and appraisal of securities companies by the CSRC, the Company was rated as Level AA, Class A in 2015, Level A, Class A in 2016 and Level AA, Class A in 2017.



## SECTION VII CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

### I. CHANGES IN ORDINARY SHARES

	Before the change		Increase or decrease of the change (+, -)					After the change	
	Amount	Percentage (%)	Issue of new share	Bonus share	Conversion from reserves	Others	Subtotal	Amount	Percentage (%)
I. Shares subject to trading moratorium	5,846,274,124	61.3	-	-	-	-	-	5,846,274,124	57.7
1. Owned by the state	-	-	-	-	-	-	-	-	-
2. Owned by state-owned legal persons	5,479,635,441	57.5	-	-	-	-	-	5,479,635,441	54.1
3. Owned by other domestic parties	366,638,683	3.8	-	-	-	-	-	366,638,683	3.6
Of which: Owned by domestic									
non-state-owned legal persons	345,558,683	3.6	-	-	-	-	-	345,558,683	3.4
Owned by domestic natural persons	21,080,000	0.2	-	-	-	-	-	21,080,000	0.2
4. Owned by foreign shareholders	-	-	-	-	-	-	-	-	-
Of which: Owned by overseas legal persons	-	-	-	-	-	-	-	-	-
Owned by overseas natural persons	-	-	-	-	-	-	-	-	-
II. Circulating shares not subject to trading moratorium	3,690,984,633	38.7	600,000,000	-	-	-	+600,000,000	4,290,984,633	42.3
1. RMB ordinary shares	-	-	600,000,000	-	-	-	+600,000,000	600,000,000	5.9
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	3,690,984,633	38.7	-	-	-	-	-	3,690,984,633	36.4
4. Other	-	-	-	-	-	-	-	-	-
III. Total number of ordinary shares	9,537,258,757	100	600,000,000	-	-	-	+600,000,000	10,137,258,757	100

Note: On 23 January 2017, the Company carried out an initial public offering of 600,000,000 A Shares on the SSE, all of which are new shares and there is no transfer of existing shares. After this issue of shares, total share capital of the Company amounted to 10,137,258,757 shares, of which: 6,446,274,124 shares were A Shares and 3,690,984,633 shares were H Shares.

### II. INFORMATION OF SHAREHOLDERS

#### (i) Total number of shareholders

Total number of holders of ordinary shares as at the End of the Reporting Period (account)

A total of 115,211 accounts, of which 114,426 accounts are holders of A Shares; 785 accounts are holders of H Shares.

Total number of holders of ordinary shares as at the end of the previous month before the date of disclosure of annual report (account)

A total of 124,108 accounts, of which 123,340 accounts are holders of A Shares; 768 accounts are holders of H Shares.

Total number of preference shareholders with voting rights restored as at the End of the Reporting Period (account)

0

Total number of preference shareholders with voting rights restored as at the end of the previous month before the date of disclosure of annual report (account)

0





## SECTION VII CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

### (ii) Shareholdings of the top 10 shareholders and top 10 holders of circulating shares (or shareholders not subject to trading moratorium) as at the End of the Reporting Period

Unit: Share(s)

#### Shareholdings of the top 10 shareholders

(Full) name of shareholders	Change(s) during the Reporting Period	Number of shares held as at the End of the Reporting Period	Percentage (%)	Number of shares held subject to trading moratorium	Pledged or frozen		Nature of shareholders
					Status of shares	Number of shares held	
China Galaxy Financial Holdings Limited	-57,132,376	5,160,610,864	50.91	5,160,610,864	Nil	0	State-owned legal person
HKSCC Nominees Limited	+2,037,700	3,688,481,616	36.39	0	Nil	0	Overseas legal person
PICC Property and Casualty Company Limited	0	114,381,147	1.13	114,381,147	Nil	0	State-owned legal person
Shanghai Rural Commercial Bank Co., Ltd.	0	110,000,000	1.09	110,000,000	Nil	0	Domestic non-State-owned legal person
Bank of Lanzhou Co., Ltd	0	90,514,398	0.89	90,514,398	Nil	0	Domestic non-State-owned legal person
Shanghai CICC Electric Technology Co., Ltd.	0	60,000,000	0.59	60,000,000	Nil	0	Domestic non-State-owned legal person
Account No.1 of National Council for Social Security Fund	+58,726,267	58,726,267	0.58	58,726,267	Nil	0	State-owned legal person
China Resources Co., Ltd.	-424,897	38,379,809	0.38	38,379,809	Nil	0	State-owned legal person
Joincare Pharmaceutical Industry Group Co., Ltd	0	28,983,000	0.29	28,983,000	Nil	0	Domestic non-State-owned legal person
China Securities Finance Corporation Limited	+28,317,840	28,317,840	0.28	0	Nil	0	State-owned legal person

Notes: 1. H Shares held by HKSCC Nominees Limited are held for various investors.

2. The Company was listed on the SSE on 23 January 2017. According to the Approval of the Ministry of Finance Regarding the "Transfer Proposal of State-owned Shares of China Galaxy Securities Co., Ltd." (Cai Jin Han [2016] No. 181), the state-owned shareholders, including China Galaxy Financial Holdings Limited and China Resources Co., Ltd., transferred parts of their shares to the social security fund pursuant to relevant requirements to perform their obligation of transfer of state-owned shares.



## SECTION VII CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

### Shareholdings of the top 10 shareholders not subject to trading moratorium

Name of shareholders	Number of circulating shares held not subject to trading moratorium	Type and number of shares held	
		Type	Number
HKSCC Nominees Limited	3,688,481,616	Overseas listed foreign shares	3,688,481,616
China Securities Finance Corporation Limited	28,317,840	RMB ordinary shares	28,317,840
China Life Insurance Company Limited – Dividend-Individual Dividend-005L – FH002 Shanghai	7,778,000	RMB ordinary shares	7,778,000
Bank of China Limited – China Merchants CSI All Share Securities Company Index Classified Securities Investment Fund	5,126,869	RMB ordinary shares	5,126,869
Hong Kong Securities Clearing Company Limited	4,952,980	RMB ordinary shares	4,952,980
Industrial and Commercial Bank of China – SSE 50 Trading Index Securities Investment Open-ended Fund	4,926,000	RMB ordinary shares	4,926,000
Shaanxi International Trust Co., Ltd. – SIT1 • Tangxing No. 20 Securities Investment Assembled Funds Trust Plan	4,808,063	RMB ordinary shares	4,808,063
Lin Wensheng	4,623,048	RMB ordinary shares	4,623,048
China Resources SZITIC Trust Co., Ltd. – CR Trust • Hengying No. 1 Securities Investment Assembled Funds Trust Plan	3,557,100	RMB ordinary shares	3,557,100
China Fortune International Trust Co., Ltd – Huaxin Trust • Huapeng No. 69 Securities Investment Assembled Funds Trust Plan	3,527,800	RMB ordinary shares	3,527,800
Details of the connected relationship amongst, or concerted actions between, the above shareholders		The Company is not aware of any connected relationship amongst shareholders/ whether such shareholders are concerted parties.	
Details of preference shareholders with voting rights restored and number of shares held		Nil.	



## SECTION VII CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

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

Unit: share(s)

No.	Name of shareholders subject to trading moratorium	Number of shares held subject to trading moratorium	Listing and trading of shares subject to trading moratorium		Conditions of trading moratorium
			Date of being permitted for listing and trading	Number of shares to be listed and traded	
1	China Galaxy Financial Holdings Limited	5,160,610,864	23 January 2020	0	36 months from the listing date of the Company's A Shares
2	PICC Property and Causality Company Limited	114,381,147	23 January 2018	0	12 months from the listing date of the Company's A Shares
3	Shanghai Rural Commercial Bank Co., Ltd.	110,000,000	23 January 2018	0	12 months from the listing date of the Company's A Shares
4	Bank of Lanzhou Co., Ltd	90,514,398	23 January 2018	0	12 months from the listing date of the Company's A Shares
5	Shanghai CIIC Electric Technology Co., Ltd.	60,000,000	23 January 2018	0	12 months from the listing date of the Company's A Shares
6	China Resources Co., Ltd.	38,379,809	23 January 2018	0	12 months from the listing date of the Company's A Shares
7	Joincare Pharmaceutical Industry Group Co., Ltd	28,983,000	23 January 2018	0	12 months from the listing date of the Company's A Shares
8	Zhongshan Zhonghui Investment Group Company Limited	19,241,213	23 January 2018	0	12 months from the listing date of the Company's A Shares
9	Shenzhen State-Owned Dutyfree Commodity (Group) Co., Ltd.	13,468,849	23 January 2018	0	12 months from the listing date of the Company's A Shares
10	Wang Jianguo	12,080,000	23 January 2018	0	12 months from the listing date of the Company's A Shares
	Details of the connected relationship amongst, or concerted actions between, the above shareholders	Nil			



## SECTION VII CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

### (iii) Interests and short positions of substantial shareholders and other persons in shares and underlying shares

As at the End of the Reporting Period, to the knowledge of the Directors after making reasonable inquiries, the following persons (other than Directors, Supervisors or chief executives 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 A Shares/H Shares of the Company (%)	Long positions/ short positions/ shares available for lending
Huijin (Note 2)	A Shares	Interests of controlled corporation	5,160,610,864	50.91	80.06	Long position
Galaxy Financial Holdings (Note 2)	A Shares	Beneficial owner	5,160,610,864	50.91	80.06	Long position
Wenze International Investment Limited (Notes 3 and 4)	H Shares	Beneficial owner	219,524,000	2.17	5.95	Long position
Wang Yili (Note 3)	H Shares	Interests of controlled corporation	219,524,000	2.17	5.95	Long position
Yan Yuqing (Note 4)	H Shares	Interests of controlled corporation	219,524,000	2.17	5.95	Long position
BlackRock, Inc. (Note 5)	H Shares	Interests of controlled corporation	263,942,151	2.60	7.15	Long position
	H Shares	Interests of controlled corporation	16,554,000	0.16	0.45	Short position

Note 1: According to Section 336 of the SFO, when the shareholdings of the shareholders in the Company change, it is not necessary for the shareholders to notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange.

Note 2: As at the End of the Reporting Period, Huijin directly held approximately 78.57% equity interest in Galaxy Financial Holdings and is therefore deemed to be interested in 5,160,610,864 A Shares directly held by Galaxy Financial Holdings.

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

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

Note 5: BlackRock, Inc. holds 263,942,151 H Shares in long position and 16,554,000 H Shares in short position through various entities under its control. In addition, 631,408 H Shares in long position and 6,616,500 H Shares in short position involve derivatives, of which the category is: unlisted derivatives – cash settled.



## SECTION VII CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

Save as disclosed above, as at the End of the Reporting Period, the Company was not aware of any other person (other than Directors, Supervisors and chief executives 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.

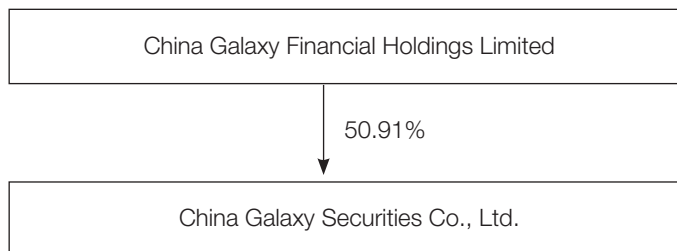
### III. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

#### (i) Controlling Shareholder

##### 1. Legal person

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

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





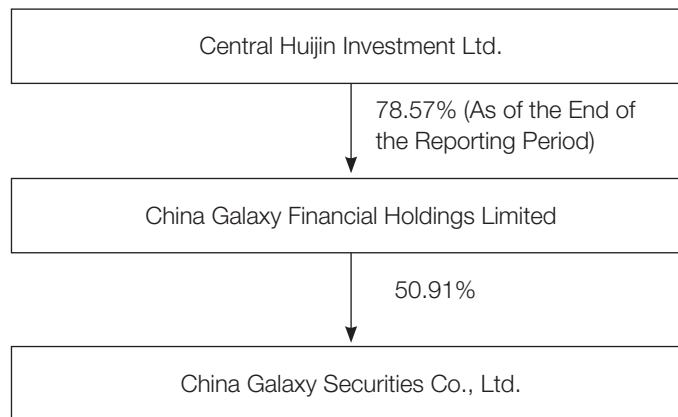
# SECTION VII CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS

## (ii) De Facto Controller

### 1. Legal person

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

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



Note: In February 2018, Galaxy Financial Holdings and China Galaxy Investment Management Company Limited completed the procedures for the change of registration in relation to consolidation with the industrial and commercial department. The shareholding percentage directly held by Huijin in Galaxy Financial Holdings was changed from 78.57% to 69.07%, and the shareholding percentage directly held by the Ministry of Finance in Galaxy Financial Holdings was changed from 21.43% to 30.93%.

## IV. COMPLIANCE WITH UNDERTAKING BY CONTROLLING SHAREHOLDERS

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

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



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### I. SHAREHOLDING CHANGES AND REMUNERATIONS

#### (i) Shareholding changes and remunerations of the existing and resigned Directors, Supervisors and senior management during the Reporting Period

Name	Position (note)	Gender	Age	Starting date of term of office	Expiry date of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in shares during the year	Reason for the change	Total remuneration before tax received from the Company during the Reporting Period (RMB'000)	Whether received remuneration from the Company's related parties or not
Chen Gongyan	Executive Director, Chairman and Chairman of the Executive Committee	Male	56	2016.10.18	2018.6.28	0	0	0	-	312.18	No
Gu Weiguo	Executive Director, Deputy Chairman and President	Male	59	2010.4.30	2018.6.28	0	0	0	-	298.20	No
Wu Chengming	Executive Director, Secretary to the Board	Male	55	2009.8.21	2018.6.28	0	0	0	-	294.65	No
Du Ping	Non-executive Director	Male	55	2015.6.29	2018.6.28	0	0	0	-	0	Yes
Shi Xun	Non-executive Director	Male	60	2011.8.19	2018.6.28	0	0	0	-	0	No
Liu Dingping	Non-executive Director	Male	56	2018.2.9	2018.6.28	0	0	0	-	0	No
Luo Lin	Independent Director	Male	68	2015.6.29	2018.6.28	0	0	0	-	26.00	No
Wu Yuwu	Independent Director	Male	57	2013.1.25	2018.6.28	0	0	0	-	24.00	No
Liu Ruizhong	Independent Director	Male	67	2017.9.29	2018.6.28	0	0	0	-	6.00	No
Wang Zhenjun	Independent Director	Male	61	2018.2.9	2018.6.28	0	0	0	-	0	No
Li Chaoyang	Employee Director	Male	59	2015.6.29	2018.6.28	0	0	0	-	328.01	No
Chen Jing	Chairman of the Supervisory Committee	Female	55	2017.3.3	2018.6.28	0	0	0	-	295.27	No
Zhong Cheng	Supervisor	Male	55	2005.12.31	2018.6.28	0	0	0	-	214.46	No
Liu Zhiyi	Employee Supervisor	Female	54	2013.5.22	2018.6.28	0	0	0	-	223.78	No
Chen Jijiang	Employee Supervisor	Male	52	2015.6.29	2018.6.28	0	0	0	-	220.10	No
Tao Libin	External Supervisor	Male	41	2016.10.18	2018.6.28	0	0	0	-	12.00	No
Li Xianglin	Vice President	Male	51	2016.8.30	2018.6.28	0	0	0	-	292.47	No
Wei Xiaochui	Vice President	Female	55	2017.3.3	2018.6.28	0	0	0	-	292.47	No
Yin Yanwu	Chief Officer of Asset Management Business	Male	44	2012.12.31	-	0	0	0	-	294.77	No
Zhu Ruimin	Chief Financial Officer	Female	48	2012.4.23	-	0	0	0	-	294.65	No
Wu Jianhui	Chief Human Resources Officer	Male	48	2011.11.18	-	0	0	0	-	300.74	No
Li Shuhua	Chief Risk Officer/Chief Compliance Officer	Male	46	2011.11.18	-	0	0	0	-	294.65	No
Luo Liming	Member of the Executive Committee, Chief Internet and IT Officer	Male	42	2017.6.30	2018.6.28	0	0	0	-	167.18	No
Wu Guofang	Member of the Executive and Chief Business Officer	Male	47	2017.12.20	-	0	0	0	-	21.76	No
Zhang Jinghua (resigned after the Reporting Period)	Non-executive Director	Male	62	2015.6.29	2018.2.9	0	0	0	-	0	No
Liu Feng (resigned after the Reporting Period)	Independent Director	Male	55	2011.4.22	2018.2.9	0	0	0	-	29.00	No
Chi Fulin (resigned during the Reporting Period)	Independent Director	Male	67	2015.6.29	2017.9.29	0	0	0	-	18.00	No
Wang Liuqi (resigned during the Reporting Period)	Chief Officer of Equity Financing Business	Male	47	2012.3.23	2017.11.27	0	0	0	-	294.77	No
Total	/	/	/	/	/	0	0	0	/	4,555.11	/

- Notes:
- When there are several positions in the position column, the term of the first position is listed only.
  - The Company did not granted share options to Directors, Supervisors and senior management of the Company. Directors, Supervisors and senior management did not hold any shares of the Company at the beginning or the end of the year.
  - Total remuneration before tax of the Company's Directors, Supervisors and senior management received from the Company during the reporting period was in accrual nature. The final numbers of remuneration are under audit, which will be disclosed once confirmed.



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Total remuneration before tax received by the then Directors, Supervisors and senior management from the Company for 2016 (remuneration settlement completed) is as follows:

*Unit: 0,000 Currency: RMB*

Name	Wu										
	Chen Gongyan	Gu Weiguo	Chen Jing	Li Xianglin	Wang Liuqi	Yin Yanwu	Zhu Ruimin	Wu Jianhui	Li Shuhua	Chengming	Li Chaoyang
Total remuneration before tax received from the Company for 2016	122.42	313.56	334.05	112.95	316.3	344.39	316.3	344.39	316.3	372.47	579.17

Name	Zhu										
	Chen Jijiang	Liu Zhiyi	Liu Feng	Wu Yuwu	Luo Lin	Chi Fulin	Tao Libin	Chen Youan	Yu Wenxiu	Yongqiang	Feng Heping
Total remuneration before tax received from the Company for 2016	245.52	257.25	29	24	26	24	2.5	178.57	231.6	262.19	9.5





## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### BIOGRAPHIES OF EXISTING DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Name**                      **Key work experience**

#### Executive Directors (3 people)

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

**Gu Weiguo** born in March 1959, has been the President and executive Director of our Company since March and April 2010, respectively. Mr. Gu is in charge of the overall management and operations of our Company. Mr. Gu has also been appointed as Deputy Chairman of our Company since May 2012. Mr. Gu also served as director of Galaxy International Holdings since February 2011, the chairman of the Executive Committee of the Company from December 2012 to October 2016, director of Galaxy Financial Holdings since June 2011, chairman of Galaxy International Holdings since July 2016 and director of Zhengtong Co., Ltd. since January 2015. From August 1987 to August 2002, Mr. Gu served consecutively as deputy division director of Editorial Office of Investment Research Division, division director of General Division of First Credit and Loan Department, deputy supervisor of Supervisory Office, general manager of Entrusted Business Department and general manager of Intermediate Business Department in China Construction Bank (previously known as China People's Construction Bank). From August 2002 to January 2007, he was vice president of China Scitech Securities Co., Ltd. (中國科技證券有限責任公司). Mr. Gu joined our Company in January 2007, and was chairman of our Company's labor union from October 2008 to July 2010, Vice President of our Company from September 2009 to March 2010, and chairman of Galaxy Capital from April 2010 to October 2010. Mr. Gu obtained a bachelor's degree in economics from Liaoning Institute of Finance and Economics in January 1982, and a master's degree in economics from Institute of Fiscal Science of Ministry of Finance in September 1987.

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



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### Non-executive Directors (4 people)

#### Du Ping

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

#### Shi Xun

born in January 1958, has been a non-executive Director of our Company since August 2011 and a director of Galaxy Financial Holdings since September 2017. 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.

#### Liu Dingping

born in September 1962, has been serving as a non-executive Director of the Company since February 2018. Mr. Liu joined China Construction Bank Corporation in July 1984, and served as a cadre of its Anhui Branch from July 1984 to February 1992, and a cadre and the deputy general manager of Hainan Trust & Investment Company, a subsidiary of China Construction Bank Corporation, from February 1992 to July 1998. Mr. Liu served as an assistant to the general manager of Hong Yuan Trust & Investment Co., Ltd. and concurrently the general manager of its Shenzhen headquarters from July 1998 to June 2000; an executive director and the general manager of Hong Yuan Securities Co., Ltd. from June 2000 to January 2005; the deputy general manager of the securities department of China Cinda Asset Management Corporation and the team leader of the liquidation team of Hantang Securities Co., Ltd. from January 2005 to June 2007; and a non-executive director of CSC Financial Co., Ltd. (a company listed on The Stock Exchange of Hong Kong Limited (stock code: 6066)) from March 2011 to December 2017. Mr. Liu obtained a bachelor's degree in economics from the Department of Infrastructure Economics of Liaoning Institute of Finance and Economics in July 1984, a master's degree in business administration from the School of Economics and Management of Tsinghua University in July 2006, and a doctorate degree in management from the School of Management of Wuhan University of Technology in June 2017, and obtained the qualification of senior economist in December 1997.

#### Li Chaoyang

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



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### Independent Non-executive Directors (4 people)

#### Luo Lin

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

#### Wu Yuwu

born in April 1961, has been an independent non-executive Director of our Company since January 2013. Mr. Wu is a professor of accounting at the School of Accountancy of The Chinese University of Hong Kong since January 2002 and an independent director of Honghua Group Limited since January 2018. From July 1995 to January 2002, Mr. Wu served consecutively as assistant professor of accounting and associate professor of accounting in the School of Accountancy of The Chinese University of Hong Kong. Mr. Wu obtained a bachelor's degree in architectural engineering from South China Engineering Institute in July 1982, and a master of science degree in business administration from Concordia University, Canada in October 1987. He also obtained a master's degree in statistics and operations research, a master's degree in accounting and a doctor's degree in accounting from New York University, USA in May 1989, May 1990 and May 1992, respectively.

#### Liu Ruizhong

born in July 1953, has been an independent non-executive Director of the Company since September 2017. Mr. Liu Ruizhong was a teacher of Tongling Finance and Economics College in Anhui Province from September 1982 to September 1984. He served as the deputy director of the Information Department of Chinese Economic System Reform Research Institute from December 1986 to May 1992, and the director of the Information Department of China International Futures Brokerage Co., Ltd. from May 1992 to May 1993. He served as the executive vice president of Beijing Commodity Exchange from May 1993 to July 1997, the consultant of Shenzhen Special Zone Securities Company from July 1997 to September 2000, and an independent director of Essence Securities Co., Ltd. from 2007 to 2013. Mr. Liu has been the general manager of Beijing Huachuang Investment Management Co., Ltd. since 2000, and currently serves as an independent director of each of Harfor Fund Management Co., Ltd., Shenhua Futures Co., Ltd., Guantong Futures Brokerage Co., Ltd. and PPM (Shenzhen) Inc. (a company listed on the National Equities Exchange and Quotations, stock code: 834044). Mr. Liu graduated from the Department of Economics of Anhui University in 1982 with a bachelor's degree in economics, and graduated from the Department of Economics of Peking University in December 1986 with a master's degree in economics.

#### Wang Zhenjun

born in May 1957, has been servicing as an independent non-executive Director of the Company since February 2018. Mr. Wang served as a cadre and vice president of the People's Bank of China, Huang County Sub-branch of Shandong, from December 1975 to October 1987. He joined Industrial and Commercial Bank of China Limited in 1987 and served as the director of the office of Industrial and Commercial Bank of China Limited, Yantai Branch of Shandong, from October 1987 to December 1991; an inspector (at the deputy director level) of the inspection office of Industrial and Commercial Bank of China Limited, Shandong Branch, from December 1991 to February 1993; the deputy head of the general office of the personnel department of headquarters of Industrial and Commercial Bank of China Limited from February 1993 to July 1993; the head of the general office of the office of headquarters of Industrial and Commercial Bank of China Limited from July 1993 to January 1995; the deputy director and director of the office of headquarters of Industrial and Commercial Bank of China Limited and the director of the office of its Party Committee from January 1995 to August 2008; the president of Industrial and Commercial Bank of China Limited, Beijing Branch, from August 2008 to June 2017; and the regional director of Industrial and Commercial Bank of China Limited from October 2016 to July 2017. Mr. Wang graduated from the Correspondence College of the Party School of the Central Committee of the Communist Party of China with a major in economics in December 1993; graduated from Tianjin College of Finance and Economics with a major in monetary banking in May 1998; and graduated from Tianjin College of Finance and Economics with a major in finance and obtained a master's degree in economics in June 1999.



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### Supervisors (5 people)

#### Chen Jing

born in January 1963, holds a master's degree in engineering, and is a senior engineer. She is currently the chairman of the Supervisory Committee and labor union committee of our Company. From March 1997 to March 2000, Ms. Chen served consecutively as deputy manager and manager in the technology development department of China Cinda Trust Investment Company (中國信達信託投資公司). From September 2000 to January 2007, Ms. Chen served consecutively as supervisor of information technology center, general manager of human resources department as well as general manager of client assets depository center of 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 served as the Vice President of our Company from August 2007 to March 2017 and a member of the Executive Committee of our Company from December 2012 to March 2017. Ms. Chen has been the chairman of our labor union committee of our Company since October 2012. She has been the chairman of Galaxy Yuanhui since December 2015. Ms. Chen obtained a bachelor's degree in engineering from Huazhong Institute of Science and Technology (currently known as Huazhong University of Science and Technology) in July 1984, and a master's degree in engineering from Xidian University in February 1990. She is a senior engineer recognized by China Cinda Asset Management Co., Ltd. (中國信達資產管理公司) in December 2000.

#### Zhong Cheng

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

#### Liu Zhiyi

born in October 1964, has been a Supervisor of the Company since the listing of H Shares of the Company on the Hong Kong Stock Exchange in May 2013. From July 1990 to June 1993, Ms. Liu served as assistant lecturer and lecturer in the Accounting Department of Beijing Wuzi University. From June 1993 to June 1997, she served as deputy director-level accountant of Zhongzhou Accounting Firm. From July 1997 to September 2000, she served as deputy general manager of audit and legal affairs department and executive deputy general manager of finance and planning department in China People's Insurance Trust and Investment Company (中國人保信託投資公司). From September 2000 to January 2007, she served as deputy general manager of auditing head office of 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.



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### **Chen Jijiang**

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

### **Tao Libin**

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

### **Other senior management (8 people)**

### **Li Xianglin**

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



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

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

**Yin Yanwu** born in March 1974, holds two master's degrees in Law as well as Quantitative and Computational Finance. He is the Chief Business Officer of Asset Management Business and a member of the Executive Committee of the Company. He is also the director and chairman of Galaxy Jinhui. He is responsible for the asset management business, research and institutional business of our Company. From July 1997 to March 2003, he worked at Economic Crime Investigation Division of Ministry of Public Security of PRC. From September 2003 to May 2005, he studied at US Georgia Institute of Technology. From September 2005 to April 2007, Mr. Yin was responsible for investment analysis in West Asset Management Company in USA. From April 2007 to June 2008, he worked in EARNEST Partners LLC in USA, and was designated as chief representative of Beijing Office of this company. From June 2008 to November 2011, he worked in Risk Management Department of China Investment Corporation (中國投資有限責任公司). From 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.

**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.



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### 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. 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. From January 2016 to January 2018, Mr. Wu served as a member of the standing committee of the municipal committee and deputy mayor of Zunyi City, Guizhou Province. 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 SASAC (國資委高級專業技術職務任職資格評審委員會) in October 2005.

### Luo Liming

born in September 1976, holds a doctorate degree in Computer Science, and has been appointed as a member of China Securities Industry Standardization Technology Committee, the chief expert of Professional Working Group on Information Disclosure of CSISC (證標委信息披露領域專業工作組), and the deputy director of IT Professional Committee of the Securities Association of China. Mr. Luo is currently a member of the Executive Committee and the Chief Internet and IT Officer of the Company. Mr. Luo successively served as operation and maintenance engineer, programmer, project leader and project manager of Changzhou Securities Company (常州市證券公司) (now known as Donghai Securities Company Limited (東海證券股份有限公司)) and its subsidiaries from August 1998 to May 2002; successively served as project manager and manager of the development department of Beijing Shihua International Financial Information Company Limited (北京世華國際金融信息有限公司) from May 2002 to October 2005; successively served as consultant, senior consultant, project manager, senior project manager, director of department, general manager assistant and deputy general manager of Global Business Intelligence Consulting Co.(吉貝克信息技術有限公司) from October 2005 to February 2013; a researcher of Planning and Development Committee of CSRC from March 2013 to February 2015; successively served as the director of technical development department and concurrently the director of system operation and maintenance department, the director of IT department and a member of executive committee of China Securities Inter-Institution Quotation System Company (中證機構間報價系統公司) from February 2015 to April 2016; and the IT director of Zhongtai Securities Co., Ltd. from April 2016 to June 2017.



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### **Wu Guofang**

born in July 1971, holds a doctorate degree in Law, and is currently a member of the Executive Committee and the Chief Business Officer of the Company. Mr. Wu served successively as a cadre and a deputy department officer of National and Executive Law Department of Commission of Legislative Affairs of Standing Committee of the National People's Congress (全國人大常委會法制工作委員會國家法行政法室) since July 2000; successively served as a cadre, level-3 assistant, deputy director and director of Regulation Division, the director of general office as well as the director of Integrity Construction Division of the Legal Department of China Securities Regulatory Commission, as well as a member of the 1st, 2nd and 3rd session of the GEM Stock Issuance Examination Committee since May 2002; successively served as the director of Audit Department III and Audit Department V of the issuing regulation division of China Securities Regulatory Commission since April 2012; held a temporary position as assistant to the director of the management committee of Zhongguancun, Beijing(北京市中關村管委會) from July 2011 to July 2012; and served as a deputy director of Law Department of China Securities Regulatory Commission from August 2015 to November 2017.

### **Li Shuhua**

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





## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

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

#### (i) Positions in shareholder entities

Name of employee	Name of shareholder entity	Position in shareholder entity	Starting date of term of office	Expiry date of term of office
Chen Gongyan	Galaxy Financial Holdings	Chairman	May 2016	Present
Gu Weiguo	Galaxy Financial Holdings	Director	June 2011	Present
Du Ping	Galaxy Financial Holdings	General manager	February 2015	Present
Zhong Cheng	Galaxy Financial Holdings	Supervisor	August 2005	Present
Shi Xun	Galaxy Financial Holdings	Director	September 2017	Present

#### (ii) Positions in other entities

Name of employee	Name of other entity	Position in other entity	Starting date of term of office	Expiry date of term of office
Chen Gongyan	Huijin	Deputy general manager	August 2016	Present
	Securities Association of China	Chairman	June 2011	Present
Gu Weiguo	Securities Association of China	Director	April 2012	Present
	Margin Financing Committee of the Securities Association of China	Chairman	April 2016	Present
	Financial Law Behaviour Research Society of the China Behaviour-law Association	Deputy chairman	December 2015	Present
	Policy Advisory Committee of the Fourth Board of Governor of the SSE	Committee member	September 2016	Present
Du Ping	Galaxy International Holdings	Director, chairman	February 2011	Present
	Zhengtong Co., Ltd.	Director	January 2015	Present
Du Ping	Galaxy Dahua Low Carbon Industry (Tianjin) Fund Management Company Limited	Chairman	June 2015	Present
Liu Feng	McGill University, Canada	Part-time professor	January 2006	Present
	Beijing Capital Financial Asset Exchange Information Service Co., Ltd.	Independent director	June 2016	Present
Wu Yuwu	The Chinese University of Hong Kong	Professor	July 1995	Present
	Honghua Group Limited	Independent director	January 2018	Present
Chi Fulin	China (Hainan) Institute for Reform and Development	Director	June 1993	Present
Liu Ruizhong	Beijing Huachuang Investment Management Co., Ltd.	General manager	January 2000	Present
	Harfor Fund Management Co., Ltd.	Independent director	April 2006	Present



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Name of employee	Name of other entity	Position in other entity	Starting date of term of office	Expiry date of term of office
Chen Jing	Shenhua Futures Co., Ltd.	Independent director	May 2010	Present
	Guantong Futures Co., Ltd.	Independent director	July 2012	Present
	PPM (Shenzhen) Inc.	Independent director	August 2014	Present
	Securities Association of China	Vice chairman of over-the-counter market committee	April 2013	December 2017
	Galaxy Financial Holdings Working Committee under the National Committee of the China Financial Labour Union	Vice chairman	July 2013	Present
	Fourth Session Funding Review Committee of the China Financial Labour Union	Executive member	July 2013	Present
	China Computer User Association	Executive director and chairman of cloud application branch	January 2010	Present
Zhong Cheng	Research Association of Ideological and Political Work of China Financial Institutions	Executive director of the fifth session of the council	March 2017	Present
	Galaxy Futures	Chairman of the supervisory committee	July 2011	November 2018
Liu Zhiyi	Beijing National Accounting Institute	Part-time professor	September 2012	December 2020
Chen Jijiang	Beijing Financial Street Human Resources Association	Vice chairman	July 2014	July 2017
Tao Libin	University of International Business and Economics	Vice chair and associate professor of the investment department of the school of banking and finance	January 2009	Present
	Beijing Kai Yuan Ju Tuo Technology Co., Ltd.	Legal representative, general manager, executive director	May 2011	Present
Li Xianglin	Securities Association of China	Member of asset management business committee	September 2011	Present
	Securities Association of Beijing	Chairman of brokerage business committee	December 2016	Present
Wei Xiaohui	Huoshan County Orphan Helping and Education Aiding Society	Head of accounting and director	June 2009	Present
	China Investment Securities Investment Co., Ltd.	Chairman	September 2015	December 2016



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name of employee	Name of other entity	Position in other entity	Starting date of term of office	Expiry date of term of office
Wang Liuqi	Investment Banking Committee of the Securities Association of China	Vice chairman	September 2013	Present
	Economic Committee of the CAPD	Member	September 2015	Present
Yin Yanwu	Asset Management Business Committee of the Securities Association of Beijing	Vice chairman	January 2014	Present
Zhu Ruimin	Securities Association of China	Member of financial, accounting and risk control committee	August 2011	Present
Wu Jianhui	Financial Talent Committee of the China Talent Research Association	Vice chairman	January 2013	Present
	Securities Association of China	Vice chairman of human resources management committee	October 2013	Present
Li Shuhua	Securities Association of China	Member of first committee of compliance of securities companies	March 2011	Present
	Securities Association of China	Assessment expert of securities companies	January 2011	Present
	China Financial Accounting Association	Vice secretary general	September 2006	Present
	Securities Association of Beijing	Vice chairman of first committee of compliance of securities companies	February 2013	Present
	Ministry of Finance	Member of corporate internal control standard committee	February 2017	Present
	Ministry of Finance	Member of corporate informatisation committee	August 2006	Present
	Financial Accounting Committee of China Accounting Standards Board	Advisory expert	May 2007	Present
	Chinese Institute of Finance and Cost for Young and mid-career professionals	Director	July 2005	Present



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name of employee	Name of other entity	Position in other entity	Starting date of term of office	Expiry date of term of office
Luo Liming	The Securities Association of China	Vice chairman of securities Internet committee	January 2018	Present
	China Finance Standardization Technical Committee	Member of the securities sub-committee of China finance standardization technical committee, Chief expert of the working group for information disclosure of the securities sub-committee of China finance standardization technical committee	April 2015	Present
Wu Guofang	The Securities Association of China	Vice chairman of investment banking committee	January 2018	Present

### III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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.

Basis of determination of remuneration 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 continue to improve the performance and remuneration management system according to the relevant regulatory requirements and based on its actual situation.

Actual payments of remuneration of Directors, Supervisors and senior management:

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

Actual total remuneration of all the Directors, Supervisors and management during the Reporting Period:

The total amount of remuneration received by all the Directors, Supervisors and senior management was RMB45,551,100 during the Reporting Period.



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Changes	Reason for changes
Chi Fulin	Independent Director	Resigned	<p>On 14 August 2017, Mr. Chi Fulin, an independent Director of the Company, tendered his resignation letter to resign from his positions as an independent director of the third session of the Board of the Company and a member of special Committees under the Board due to his intention to focus on his other work commitments and engagements. Upon his resignation, Mr. Chi Fulin ceased to hold any positions in the Company.</p> <p>Since the resignation of Mr. Chi Fulin would result in the number of independent directors of the Company falling below the quorum as required by law, Mr. Chi Fulin, in accordance with the requirements of the Company Law of the PRC, the “Guiding Opinions Regarding the Establishment of System of Independent Directors in Listed Companies” and the Articles of Association, continued to perform his duties as an independent Director and relevant duties as a member of the various Board committees until the appointment of a new independent Director was approved at the second extraordinary general meeting of 2017 held by the Company on 29 September 2017.</p>
Liu Ruizhong	Independent Director	Elected	<p>On 29 September 2017, Mr. Liu Ruizhong was elected as an independent Director at the second extraordinary general meeting of 2017 of the Company.</p>
Chen Jing	Member of the Executive Committee and vice president	Resigned	<p>On 3 March 2017, the “Proposal on Termination of Appointment of Ms. Chen Jing as a Member of the Executive Committee and the Vice President of the Company”, was approved at the 21st meeting of the third session of the Board, and Ms. Chen Jing no longer acted as a member of the Executive Committee and the vice president of the Company.</p>
Chen Jing	Supervisor and Chairman of the Supervisory Committee	Elected	<p>On 5 May 2017, the “Proposal on Election of Ms. Chen Jing as a Member of the Third Session of the Supervisory Committee of the Company”, was approved at the first extraordinary general meeting of 2017 and Ms. Chen Jing was elected as the member of the third session of the Supervisory Committee of the Company.</p> <p>On 5 May 2017, the “Proposal on Election of Ms. Chen Jing as the Chairperson of the Third Session of the Supervisory Committee of the Company” was approved at the second extraordinary meeting of the supervisory committee of 2017, and Ms. Chen Jing was elected as the chairperson of the third session of the Supervisory Committee of the Company.</p>



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Position	Changes	Reason for changes
Wei Xiaohui	Member of the Executive Committee and vice president	Appointed	On 3 March 2017, the “Proposal on Appointment of Ms. Wei Xiaohui as a Member of the Executive Committee and the Vice President of the Company”, was approved at the 21st meeting of the third session of the Board, and Ms. Wei Xiaohui was appointed as member of the Executive Committee and vice president of the Company.
Luo Liming	Member of the Executive Committee, Chief Internet and IT Officer	Appointed	On 30 June 2017, the “Proposal on Appointment of Mr. Luo Liming as a Member of the Executive Committee and the Chief Internet and IT Officer of the Company”, was approved at the 29th meeting of the third session of the Board, and Mr. Luo Liming has been appointed as member of Executive Committee and Chief Internet and IT Officer of the Company.
Wu Guofang	Member of the Executive Committee and Chief Business Officer	Appointed	On 20 December 2017, the “Proposal on Appointment of Mr. Wu Guofang as a Member of the Executive Committee and the Chief Business Officer of the Company”, was approved at the 35th meeting of the third session of the Board, and Mr. Wu Guofang has been appointed as member of Executive Committee and Chief Business Officer of the Company.
Wang Liuqi	Member of the Executive Committee and Chief Business Officer of Equity Financing Business	Resigned	On 27 November 2017, the “Proposal on Termination of Appointment of Mr. Wang Liuqi as a Member of the Executive Committee and the Chief Business Officer of Equity Financing Business of the Company”, was approved at the 34st meeting of the third session of the Board, and Mr. Wang Liuqi no longer acted as a member of the Executive Committee and the vice president of the Company after his resignation letter due to his personal commitments.
Liu Dingping	Non-executive director	Appointed	On 9 February 2018, the “Proposal on Election of Mr. Liu Dingping as a Director of the Company”, was approved at the first extraordinary general meeting of 2018 of the Company and Mr. Liu Dingping was elected as a non-executive Director of the Company.
Zhang Jinghua	Non-executive director	Resigned	On 9 February 2018, after Mr. Liu Dingping was elected as a non-executive Director of the Company at the first extraordinary general meeting of 2018, Mr. Zhang Jinghua no longer acted as a non-executive Director of the Company due to his age.



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Position	Changes	Reason for changes
Wang Zhenjun	Independent Director	Appointed	<p>On 9 February 2018, the “Proposal on Election of Mr. Wang Zhenjun as an independent Director of the Company”, was approved at the first extraordinary general meeting of 2018 of the Company and Mr. Wang Zhenjun was elected as an independent Director of the Company.</p>
Liu Feng	Independent Director	Resigned	<p>The Company received a resignation letter from Mr. Liu Feng on 24 January 2018. Mr. Liu Feng tendered his resignation as an independent Director of the Company, the chairman of the Nomination and Remuneration Committee, and a member of each of the Strategy and Development Committee, the Audit Committee and the Risk Management Committee due to his intention to focus on his other work commitments and engagements.</p> <p>Since the resignation of Mr. Liu Feng would result in the number of independent directors of the Company falling below the quorum as required by law, Mr. Liu Feng, in accordance with the requirements of the Company Law of the PRC, the “Guiding Opinions Regarding the Establishment of System of Independent Directors in Listed Companies” and the Articles of Association, continued to perform his duties as an independent director and relevant duties as a member of the various Board committees until the appointment of a new independent Director was approved at the first extraordinary general meeting of 2018 held by the Company on 9 February 2018.</p>



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

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

Nil

### VI. STAFF AND REMUNERATION

#### (i) Numbers and composition of staffs

##### (i) Staff

##### 1. Number of employees

Number of employees of the Company	9,030
Number of employees of the major subsidiaries	1,069
Total number of employees	10,099
Number of resigned and retired employees with expenses borne by the Company and major subsidiaries	426

##### 2. Profession Structure

Category	Number of persons
Securities brokerage	7,500
Futures brokerage	492
Investment banking	312
Assets management	149
Proprietary trading	42
Private equity investment	25
Investment research	100
Clearing	102
Legal/Risk Control/Audit	373
IT	464
Planning and Finance	313
Administrative management	227
Total	10,099

##### 3. Educational Background

Category	Number of persons
Doctors	76
Masters	1,460
Bachelors	6,324
Associate degree and below	2,239
Total	10,099





## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### (ii) Remuneration of staffs

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

### (iii) Training plan

In order to continually improve the professional abilities and occupational qualities of staffs in order to achieve the strategic targets of the Company, the Company has adopted the training plan with overall consideration, hierarchical classification and emphasized key issues. During the Reporting Period, according to the Notice on the Establishment of Galaxy Research Institute and the Appointment of Members of Its Interim Committee (《關於成立銀河研究院及銀河研究院臨時院務委員會成員任職的通知》) (Galaxy Securities (2017) No. 523), staff training and management were allocated by the human resources department to the institute in August 2017.

In order to provide effective human resources support for the Company's work priorities, the Company has advanced the cultivation of abilities of strategic thinking, operation management and professional skills of middle and senior management personnel, actively implemented the backup talent reserve project, and started the selection and training of young key employees of the Company to establish a reasonable talent echelon. The Company has also stepped up the training of professional quality and capabilities of each business line to strengthen the comprehensive quality, execution and innovation capabilities of each professional.

### (iv) Labour outsourcing

Total working hours outsourced:	413,800 standard working hours
Total remuneration paid for labour outsourcing:	RMB39,392,100

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

Securities brokers entered 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, 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 1,143 brokers working for the Company.



## SECTION IX CORPORATE GOVERNANCE REPORT

### I. INFORMATION ON CORPORATE GOVERNANCE

#### (i) Overview of corporate governance

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

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

#### (ii) Information of insider registration management

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

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

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

- (a) to develop and review the Company’s policies and practices on corporate governance;
- (b) to review and supervise the training and continuing professional development for the Directors and senior management;
- (c) to review and supervise the Company’s policies and practices in complying with relevant laws and regulatory rules;
- (d) to develop, review and supervise the code of conduct and compliance manual applicable to employees and Directors (if any); and
- (e) to review the Company’s compliance with the code provisions and the disclosure in the “Corporate Governance Report”.



## SECTION IX CORPORATE GOVERNANCE REPORT

### II. INTRODUCTION TO GENERAL MEETINGS

No. of session	Date	Index for details on websites designated for publishing resolutions	Date of disclosure
First extraordinary general meeting for 2017	5 May 2017	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> <a href="http://www.chinastock.com.cn">www.chinastock.com.cn</a>	5 May 2017
Annual general meeting for 2016	22 June 2017	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> <a href="http://www.chinastock.com.cn">www.chinastock.com.cn</a>	22 June 2017
Second extraordinary general meeting for 2017	29 September 2017	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> <a href="http://www.chinastock.com.cn">www.chinastock.com.cn</a>	29 September 2017

As the supreme authority of the Company, the general meeting of the Company exercises its rights according to the requirements of the Articles of Association and the rules of procedure of the general meeting. The Company strictly adheres to the rules in convening and conducting the general meeting and ensures that all shareholders have equal rights and can fully exercise their rights. During the Reporting Period, the Company convened 3 general meetings, the details and resolutions of which are as follows:

1. On 5 May 2017, the Company held the first extraordinary general meeting for 2017 and elected Ms. Chen Jing to act as the Supervisor.
2. On 22 June 2017, the Company held the annual general meeting for 2016 to consider and approve the report of the Board of Directors for 2016, the report of the Supervisory Committee for 2016, the 2016 annual report, the final accounts plan for 2016, the profit distribution plan for 2016, the capital expenditure budget for 2017, the proposal on the nomination and appointment of the external auditing firms of the Company for 2017, the proposal on the increase of net capital guarantee to Galaxy Jinhui, the proposal on the general mandate to issue shares, the proposal on the amendments to the plan on authorization granted to the Board of Directors by the shareholders' general meeting, the proposal on the Securities and Financial Products Transactions Framework Agreement entered into between the Company and Galaxy Financial Holdings and the annual caps for the three years from 2017 to 2019, as well as the proposal on the amendments to the Articles of Association, and the 2016 duty performance report of independent non-executive Directors.
3. On 29 September 2017, the Company held the second extraordinary general meeting to consider and approve the amendments to the Articles of Association and the election of Mr. Liu Ruizhong as an independent Director.



## SECTION IX CORPORATE GOVERNANCE REPORT

### III. BOARD MEETINGS AND PERFORMANCE OF DUTIES BY DIRECTORS

#### (i) Composition of the Board of Directors

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

The Board currently comprises of 11 Directors, which includes 3 executive Directors (Mr. Chen Gongyan, Mr. Gu Weiguo and Mr. Wu Chengming), 4 non-executive Directors (Mr. Du Ping, Mr. Shi Xun, Mr. Liu Dingping and Mr. Li Chaoyang), 4 independent non-executive Directors (Mr. Wang Zhenjun, Mr. Luo Lin, Mr. Wu Yuwu and Mr. Liu Ruizhong), among which the number of independent Directors accounts for more than one-third of the number of Directors. Mr. Chen Gongyan is the chairman of the Board and Mr. Gu Weiguo is the vice chairman. There is no relation (including financial, business, familial and other major or relevant relations) between or amongst the Directors, Supervisors and senior management officers. During the Reporting Period and as of the date of this report, the changes in the members of the Board are as follows: Mr. Chi Fulin resigned as an independent Director of the Company due to his intention to focus on his other work commitments and engagements with effect from 29 September 2017; Mr. Zhang Jinghua ceased to serve as a non-executive Director of the Company due to his age with effect on 9 February 2018; and Mr. Liu Feng resigned as an independent Director of the Company due to his intention to focus on his other work commitments and engagements with effect from 9 February 2018. As considered and approved by the general meetings of the Company, Mr. Liu Ruizhong was elected as an independent Director of the Company with effect from 29 September 2017; Mr. Liu Dingping was elected as a non-executive Director of the Company with effect from 9 February 2018; and Mr. Wang Zhenjun was elected as an independent Director of the Company with effect from 9 February 2018.

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

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

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

Name of Directors	Independent director	Required attendance during the year	Attendance at Board meetings				Absence from two consecutive meetings	Attendance at general meetings
			Attendance in person	Attendance by communication	Attendance by proxy	Absence		Attendance at general meetings
Chen Gongyan	No	15	12	4	3	0	No	2
Gu Weiguo	No	15	14	1	1	0	No	3
Du Ping	No	16	16	2	0	0	No	3
Shi Xun	No	16	16	2	0	0	No	3
Zhang Jinghua (resigned)	No	16	16	1	0	0	No	3
Wu Chengming	No	15	15	0	0	0	No	3
Liu Feng (resigned)	Yes	16	15	2	1	0	No	1
Luo Lin	Yes	16	15	2	1	0	No	2
Wu Yuwu	Yes	16	15	1	0	1	No	3
Chi Fulin (resigned)	Yes	11	5	5	6	0	Yes	0
Li Chaoyang	No	16	15	1	1	0	No	2
Liu Ruizhong	Yes	5	5	0	0	0	No	0



## SECTION IX CORPORATE GOVERNANCE REPORT

### (iii) Operation of the Board

During the Reporting Period, the Company held 16 Board meetings through communication tool or a combination of on-site meeting and communication tool, details of which are as follows:

- (1) On 3 March 2017, the 21st meeting (extraordinary) of the third session of the Board was held, at which the “Proposal for the Termination of Appointment of Ms. Chen Jing as a Member of the Executive Committee and Vice President of the Company” and the “Proposal for the Appointment of Ms. Wei Xiaohui as a Member of the Executive Committee and Vice President of the Company” were considered and passed.
- (2) On 16 March 2017, the 22nd meeting (extraordinary) of the third session of the Board was held, at which the “Proposal for Convening the First Extraordinary General Meeting for 2017” and the “Proposal for Reviewing the Work Report on Implementation of Comprehensive Risk Management Requirement of China Galaxy Securities Co., Ltd. by the Board was considered and passed.
- (3) On 23 March 2017, the 24th meeting (extraordinary) of the third session of the Board was held, at which the “Proposal for Reviewing the Matters relating to the ‘Acquisition and Merger Project of CIMB’” was considered and passed.
- (4) On 30 March 2017, the Company held the 23rd meeting (regular) of the third session of the Board, at which the “Proposal for Reviewing the Final Accounts Plan of China Galaxy Securities Co., Ltd. for 2016”, the “Proposal for Reviewing the Profit Distribution Plan of China Galaxy Securities Co., Ltd. for 2016”, the “Proposal for Reviewing the Compliance Report of the Company for 2016”, the “Proposal for Reviewing the Risk Management Report of China Galaxy Securities Co., Ltd. for 2016 by the Board”, the “Proposal for Reviewing the Internal Control Assessment Report of the Company for 2016”, the “Proposal for Reviewing the Annual Report of China Galaxy Securities Co., Ltd. for 2016”, the “Proposal for Reviewing the Social Responsibility Report of China Galaxy Securities Co., Ltd. for 2016”, the “Proposal for Reviewing the President’s Work Report for 2016”, the “Work Report of the Board for 2016”, the “Duty Performance Report of the Audit Committee of the Board for 2016”, the Work Report of Independent Directors for 2016”, the “Proposal for the Appointment of External Auditors of the Company for 2017”, the “Proposal for the Capital Expenditure Budget of China Galaxy Securities Co., Ltd. for 2017”, the “Proposal for Reviewing and Amending the Risk Appetite and Measures on Risk Appetite of China Galaxy Securities Co., Ltd.”, the “Proposal for Reviewing and Amending the Comprehensive Risk Management System of China Galaxy Securities Co., Ltd.”, the “Proposal for Amending the Authorization by the Shareholders’ General Meeting to the Board (Proposed Draft)”, the “Proposal for Reviewing the Mandate by the Board to the President (Proposed Draft)”, the “Proposal on the Review of the Report regarding Galaxy Jinhui’s Application to its Parent Company, Galaxy Securities, for an Increase of its Registered Capital”, the “Proposal on the Review of Galaxy Jinhui’s Application to Galaxy Securities for an Increase of Net Capital Guarantee”, the “Proposal on the Review of the Report regarding a Capital Increase Application of Galaxy Yuanhui Investment Co., Ltd.”, the “Proposal for Convening the Annual General Meeting of China Galaxy Securities Co., Ltd. for 2016” were considered and passed; the duty performance reports of the Strategy and Development Committee, the Nomination and Remuneration Committee and the Risk Management Committee under the Board for 2016 and the “Report on the Anti-Money Laundering Work of China Galaxy Securities Co., Ltd. for 2016” were heard.
- (5) On 28 April 2017, the 25th meeting (regular) of the third session of the Board was held, at which the “Proposal for Reviewing the First Quarterly Report of the Company for 2017” and the “Proposal for the General Mandate to Issue Shares” were considered and passed.
- (6) On 17 May 2017, the 26th meeting (extraordinary) of the third session of the Board was held, at which the “Proposal for Entering into the Securities and Financial Products Transactions Framework Agreement with Galaxy Financial Holdings Group and Setting the Annual Caps for 2017-2019” and the “Proposal for the Amendments to the Articles of Association” were considered and passed.
- (7) On 12 June 2017, the 27th meeting (extraordinary) of the third session of the Board was held, at which the “Report on the Performance-based Score for Major Work Conducted by Senior Management Members for 2016” was heard, and conducted appraisal on the performance of deputy officers and market-oriented recruitment management personnel for 2016.



## SECTION IX CORPORATE GOVERNANCE REPORT

- (8) On 28 June 2017, the 28th meeting (extraordinary) of the third session of the Board was held, at which the “Proposal for Reviewing the Environmental, Social and Governance Report of China Galaxy Securities Co., Ltd. for 2016” was considered and passed.
- (9) On 30 June 2017, the 29th meeting (extraordinary) of the third session of the Board was held, at which the “Proposal for the Appointment of Mr. Luo Liming as a Member of the Executive Committee and the Chief Internet and IT Officer of the Company”, the “Proposal for the Work Plan of China Galaxy Securities Co., Ltd. for 2017”, and the “Proposal for Entering into the Office Lease Agreement between the Headquarters of Galaxy Securities, Nanchang Yanjiang Middle Street Securities Branch of Galaxy Securities, Galaxy Jinhui, Galaxy Capital and China Galaxy Investment Management Company Limited” were considered and passed.
- (10) On 14 August 2017, the 30th meeting (extraordinary) of the third session of the Board was held, at which the “Proposal for the Amendments to the Articles of Association” and the “Proposal for Convening of the Second Extraordinary General Meeting of China Galaxy Securities Co., Ltd. for 2017” were considered and passed.
- (11) On 30 August 2017, the 31st meeting (regular) of the third session of the Board was held, at which the “Proposal for Reviewing the Interim Report for 2017”, the “Proposal for the Interim Compliance Report of the Company for 2017”, the “Proposal for the Amendments to the Code on Work for the General Manager (President) of China Galaxy Securities Co., Ltd.”, the “Proposal on the Review of Further Increase of Registered Capital of Galaxy Jinhui”, the “Proposal on the Review of Further Increase of Net Capital Guarantee to Galaxy Jinhui”, the “Proposal on Nomination of Mr. Liu Ruizhong as a Candidate for Independent Director of the Company” and the “Proposal for Reviewing the Special Report on the Deposit and the Actual Utilization of the Proceeds Raised by the Company in the First Half of 2017” were considered and passed.
- (12) On 29 September 2017, the 32nd meeting (extraordinary) of the third session of the Board was held, at which the “Proposal for Reviewing the Appointment of Mr. Liu Ruizhong as a Member of each of the Strategy and Development Committee, the Nomination and Remuneration Committee and the Audit Committee of the Board” was considered and passed.
- (13) On 30 October 2017, the 33th meeting (regular) of the third session of the Board was held, at which the “Proposal for Reviewing the Third Quarterly Report of the Company for 2017” was considered and passed.
- (14) On 27 November 2017, the 34th meeting (extraordinary) of the third session of the Board was held, at which the “Proposal for Reviewing the Removal of Mr. Wang Liuqi as a Member of the Executive Committee of the Company and the Chief Business Officer of Equity Financing Business of the Company”, the “Proposal for the Allowance for Poverty Alleviation Contribution for 2017” and the “Proposal for the Remuneration Settlement Plan for Senior Management for the Years from 2015-2016” were considered and passed.
- (15) On 20 December 2017, the 35th meeting (extraordinary) of the third session of the Board was held, at which the “Proposal for the Amendments to the Articles of Association”, the “Proposal for the Amendments to the Compliance Management Systems of China Galaxy Securities Co., Ltd.”, the “Proposal for Convening the First Extraordinary General Meeting for 2018” and the “Proposal for the Appointment of Mr. Wu Guofang as a Member of the Executive Committee and a Chief Business Officer of the Company” were considered and passed.
- (16) On 20 December 2017, the third meeting of non-executive Directors of the third session of the Board was held, at which they conducted communication and exchange about the development of the Board and the matters regarding the operation and management of the Company.



## SECTION IX CORPORATE GOVERNANCE REPORT

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

Nil

### (v) Term of office of non-executive Directors

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

### (vi) Duties of the Board of Directors and the management

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

The duties of the Board includes convening general meetings, executing the resolutions passed at general meetings, determining the business and investment plans of the Company, determining the establishment of internal management organizations, appointing or dismissing the general manager (president), the secretary of the Board and the compliance officer, appointing or dismissing the deputy general manager (vice-president), the finance manager and other senior management 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 resolutions of the Board, organizes the implementation of the annual business and investment plans of the Company, consistently executes the financial budget of the Company, formulates the specific rules of the Company and decides on the employment and dismissal of employees.

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

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



## SECTION IX CORPORATE GOVERNANCE REPORT

### (vii) Training for Directors

Date of training	Training contents	Training Participants
22 February 2017	Anti-money laundering training	Chen Gongyan, Gu Weiguo, Du Ping, Shi Xun, Zhang Jinghua, Wu Chengming, Liu Feng, Luo Lin, Wu Yuwu, Chi Fulin, Li Chaoyang
5 April 2017	Director responsibilities; risk management and internal control; environmental, social and governance report; corporate governance: the role of Directors and company secretary	Chen Gongyan, Gu Weiguo, Du Ping, Shi Xun, Zhang Jinghua, Wu Chengming, Liu Feng, Luo Lin, Wu Yuwu, Chi Fulin, Li Chaoyang
11 April 2017	General meeting related training	Chen Gongyan, Gu Weiguo, Du Ping, Shi Xun, Zhang Jinghua, Wu Chengming, Liu Feng, Luo Lin, Wu Yuwu, Chi Fulin, Li Chaoyang
18 May 2017	The regulatory overview of listed companies within the territory of Beijing and the relevant issues and requirements; explanation on re-financing new policies and related issues of listed companies; risk control for cross-border investment under the background of "One Belt, One Road"; overseas financing environment and risk control	Shi Xun, Zhang Jinghua, Wu Chengming, Li Chaoyang
19 to 22 September 2017	The Forty-fourth seminar of HKICS on strengthening the continuing professional development for associated members in 2017: merger and financing	Luo Lin
31 October 2017	Financing of Hong Kong listed companies and introduction of related listing rules and connected transactions under the Hong Kong Listing Rules, the regulatory framework, ideas and latest trends of Hong Kong listed companies	Chen Gongyan, Gu Weiguo, Du Ping, Shi Xun, Zhang Jinghua, Wu Chengming, Liu Feng, Luo Lin, Wu Yuwu, Liu Ruizhong, Li Chaoyang
6 December 2017	The tenth special training course for directors and supervisors of listed companies within the territory of Beijing: the regulatory overview of listed companies within the territory of Beijing and the relevant issues and requirements; the regulatory requirements on annual report of listed companies within the territory of Beijing; the latest changes in and effects of accounting standards	Du Ping, Zhang Jinghua, Wu Chengming
13 December 2017	Talk about Corporate Governance from the recent hotspot cases punished by the CSRC	Liu Ruizhong
20 December 2017	Standardized operation of listed companies	Chen Gongyan, Gu Weiguo, Du Ping, Shi Xun, Zhang Jinghua, Wu Chengming, Liu Feng, Luo Lin, Wu Yuwu, Liu Ruizhong, Li Chaoyang





## SECTION IX CORPORATE GOVERNANCE REPORT

### IV. COMPOSITION AND OPERATION OF SPECIAL COMMITTEES UNDER THE BOARD

The Strategy and Development Committee, the Risk Management Committee (on 9 February 2018, the first extraordinary general meeting of the Company for 2018 approved the amendments to the Articles of Association, including changing the name of “Risk Management Committee” to “Compliance and Risk Management Committee”), the Nomination and Remuneration Committee and the Audit Committee have been established under the Board. The Committee shall assist with the work of the Board within the terms of reference specified in the rules of procedure, be responsible for the Board and report to the Board. Currently, the composition of each special committees under the Board is as follows:

Name of special committee	Chairman	Member
Strategy and Development Committee	Chen Gongyan	Executive Directors: Chen Gongyan, Gu Weiguo, Wu Chengming Non-executive Directors: Du Ping, Shi Xun, Liu Dingping, Li Chaoyang Independent non-executive Directors: Wang Zhenjun, Luo Lin, Wu Yuwu, Liu Ruizhong
Risk Management Committee	Shi Xun	Executive Directors: Gu Weiguo, Wu Chengming Non-executive Directors: Du Ping, Shi Xun, Liu Dingping, Li Chaoyang Independent non-executive Director: Wang Zhenjun
Nomination and Remuneration Committee	Liu Ruizhong	Non-executive Directors: Shi Xun, Li Chaoyang Independent non-executive Directors: Wang Zhenjun, Luo Lin, Wu Yuwu, Liu Ruizhong
Audit Committee	Luo Lin	Non-executive Directors: Shi Xun, Liu Dingping Independent non-executive Directors: Wang Zhenjun, Luo Lin, Wu Yuwu, Liu Ruizhong

Notes:

1. Mr. Liu Ruizhong served as an independent Director and a member of each of the Nomination and Remuneration Committee, the Strategy and Development Committee and the Audit Committee from 29 September 2017, and became the chairman of the Nomination and Remuneration Committee on 9 February 2018.
2. Mr. Chi Fulin resigned as an independent Director and ceased to act as a member of each of the Strategy and Development Committee, the Audit Committee and the Nomination and Remuneration Committee on 29 September 2017.
3. Mr. Zhang Jinghua resigned as a non-executive Director and ceased to act as a member of each of the Strategy and Development Committee, the Risk Management Committee and the Audit Committee on 9 February 2018.
4. Mr. Liu Feng resigned as an independent Director and ceased to act as the chairman of the Nomination and Remuneration Committee; a member of each of the Strategy and Development Committee, the Risk Management Committee and the Audit Committee on 9 February 2018.
5. Mr. Liu Dingping served as a non-executive Director and a member of each of the Strategy and Development Committee, the Risk Management Committee and the Audit Committee from 9 February 2018.
6. Mr. Wang Zhenjun served as an independent Director and a member of each of the Strategy and Development Committee, the Risk Management Committee, the Nomination and Remuneration Committee and the Audit Committee from 9 February 2018.



## SECTION IX CORPORATE GOVERNANCE REPORT

### (i) Strategy and Development Committee

#### 1. Functions of the Committee

The main 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 "Rules of Procedure of the Strategy and Development Committee of the Board of Directors of the Company", which have 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 3 meetings, at which in-depth studies and deliberation of significant matters were conducted in respect of global layout, increase in capital of subsidiary, annual work plan and profit distribution plan. 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 7 March 2017, the 10th meeting of the Strategy and Development Committee under the third session of the Board was held, at which the "Proposal for Reviewing the Profit Distribution Plan of China Galaxy Securities Co., Ltd. for 2016", the "Proposal for the Work Plan of China Galaxy Securities Co., Ltd. for 2017", the "Proposal for the Capital Expenditure Budget of China Galaxy Securities Co., Ltd. for 2017", the "Proposal on the Review of the Report regarding a Capital Increase Application of Galaxy Yuanhui Investment Co., Ltd.", the "Proposal on the Review of Galaxy Jinhui's Application to Galaxy Securities for an Increase of Net Capital Guarantee", the duty performance report of the Strategy and Development Committee for 2016 and the work report of the Board for 2016 were preliminarily reviewed and approved for submission to the Board for review.
- (2) On 16 March 2017, the 11th meeting of the Strategy and Development Committee under the third session of the Board was held, at which the "Proposal for Reviewing the Matters relating to the 'Acquisition and Merger Project of CIMB'" was preliminarily reviewed and approved for submission to the Board for review.
- (3) On 14 August 2017, the 12th meeting of the Strategy and Development Committee under the third session of the Board was held, at which the "Proposal for the Amendments to the Code on Work for the General Manager (President) of China Galaxy Securities Co., Ltd.", the "Proposal for the Reviewing the Measures for the Administration of Dividends Distribution of China Galaxy Securities Co., Ltd.", the "Proposal on the Review of Further Increase of Registered Capital of Galaxy Jinhui" and the "Proposal on the Review of Further Increase of Net Capital Guarantee to Galaxy Jinhui" were preliminarily reviewed and approved for submission to the Board for review.



## SECTION IX CORPORATE GOVERNANCE REPORT

### 3. Attendance of members at meetings

Name of members	Required attendance at meetings	Actual attendance
Chen Gongyan	3	2
Gu Weiguo	3	3
Du Ping	3	3
Shi Xun	3	3
Zhang Jinghua (resigned)	3	3
Wu Chengming	3	3
Liu Feng (resigned)	3	2
Luo Lin	3	2
Wu Yuwu	3	2
Chi Fulin (resigned)	3	1
Li Chaoyang	3	3
Liu Ruizhong	0	0

#### (ii) Risk Management Committee

##### 1. Functions of the Committee

The main 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 "Rules of Procedure of the Risk Management Committee of the Board of Directors of the Company", which have been published on the website of the Company.

##### 2. Work summaries and meetings of the Committee

During the Reporting Period, the Risk Management Committee convened 4 meetings and preliminarily reviewed the annual and interim compliance reports, the report of risk management and anti-money laundering work report, made recommendations on the amendments to the authorisation of the shareholders' general meeting to the Board and the mandate by the Board to the president. The Committee preliminarily reviewed the Articles of Association and the compliance management systems of the Company, assisted the Board in carrying out its work and provided support for the Board in its decision-making.



## SECTION IX CORPORATE GOVERNANCE REPORT

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

- (1) On 7 March 2017, the 6th meeting of the Risk Management Committee under the third session of the Board was held, at which the “Proposal for Reviewing the Compliance Report of the Company for 2016”, the “Proposal on the Risk Management Report of China Galaxy Securities Co., Ltd. for 2016”, the duty performance report of the Risk Management Committee of the Board for 2016, the “Proposal for Reviewing and Amending the Risk Appetite and Measures on Risk Appetite of China Galaxy Securities Co., Ltd.”, the “Proposal for Reviewing and Amending the Comprehensive Risk Management System of China Galaxy Securities Co., Ltd.”, the “Proposal for the Authorization by the Shareholders’ General Meeting to the Board (Proposed Draft)”, the “Proposal for Reviewing the Mandate by the Board to the President (Proposed Draft)”, the “Proposal for Reviewing the Work Report on Implementation of Comprehensive Risk Management Requirement of China Galaxy Securities Co., Ltd. by the Board” were preliminarily reviewed; and the “Report on the Anti-money Laundering Work of China Galaxy Securities Co., Ltd. for 2016” were heard.
- (2) On 14 August 2017, the 7th meeting of the Risk Management Committee under the third session of the Board was held, at which the “Proposal for Reviewing the Interim Compliance Report of the Company for 2017” was preliminarily reviewed and approved for submission to the Board for review.
- (3) On 24 October 2017, the 8th meeting of the Risk Management Committee under the third session of the Board was held, at which the “Proposal for the Amendments to the Compliance Management System of China Galaxy Securities Co., Ltd.”, was preliminarily reviewed and approved for submission to the Board for review.
- (4) On 20 December 2017, the 9th meeting of the Risk Management Committee under the third session of the Board was held, at which the “Proposal for the Amendments to the Articles of Association of China Galaxy Securities Co., Ltd.”, and the “Proposal for the Amendments to the Compliance Management System of China Galaxy Securities Co., Ltd.”, were preliminarily reviewed and approved for submission to the Board for review.

### 3. Attendance of members at meetings

Name of members	Required attendance at meetings	Actual attendance
Shi Xun	4	4
Gu Weiguo	4	4
Du Ping	4	4
Zhang Jinghua (resigned)	4	4
Wu Chengming	4	4
Liu Feng (resigned)	4	4
Li Chaoyang	4	4



## SECTION IX CORPORATE GOVERNANCE REPORT

### (iii) Nomination and Remuneration Committee

#### 1. Functions of the Committee

The main 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 as nominated by the chairman, as well as the candidates for vice general manager (vice president), chief financial officer and other senior management officers as 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 special 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 "Rules of Procedure of the Nomination and Remuneration Committee of the Board of Directors of the Company", which have been published on the website of the Company and the HKExnews website.

#### 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 discussed and studied the remuneration and performance assessment of senior management as well as the qualifications and conditions of the candidates for Directors and senior management officers, 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 3 March 2017, the 9th meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the "Proposal for the Termination of Appointment of Ms. Chen Jing as a Member of the Executive Committee and Vice President of the Company" and the "Proposal for the Appointment of Ms. Wei Xiaohui as a Member of the Executive Committee and Vice President of the Company" were preliminarily reviewed and approved for submission to the Board for review.
- (2) On 7 March 2017, the 10th meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the "Duty Performance Report of the Nomination and Remuneration Committee under the Board for 2016" was preliminarily reviewed and approved for submission to the Board for review.



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- (3) On 11 May 2017, the 11th meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the Assessment Program of Deputy Officers and Market-oriented Recruitment Management Personnel for 2016” was preliminarily reviewed and approved for submission to the Board for review.
- (4) On 22 June 2017, the 12th meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the “Proposal on the Appointment of Mr. Luo Liming as a Member of the Executive Committee and the Chief Internet and IT Officer of the Company” was preliminarily reviewed and approved for submission to the Board for review.
- (5) On 17 August 2017, the 13th meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the personal profile and conditions of Mr. Liu Ruizhong was preliminarily reviewed and it was agreed to recommend Mr. Liu Ruizhong as a candidate for independent Director of the Company.
- (6) On 27 November 2017, the 14th meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the “Proposal for the Remuneration Settlement Plan for Senior Management for the Years from 2015-2016” was preliminarily reviewed and approved for submission to the Board for review.
- (7) On 20 December 2017, the 15th meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the “Proposal for the Appointment of Mr. Wu Guofang as a Member of the Executive Committee and the Chief Business Officer of the Company” was preliminarily reviewed and approved for submission to the Board for review.

### 3. Attendance of members at meetings

<b>Name of members</b>	<b>Required attendance at meetings</b>	<b>Actual attendance</b>
Liu Feng (resigned)	7	7
Luo Lin	7	7
Wu Yuwu	7	7
Liu Ruizhong	2	2
Shi Xun	7	7
Li Chaoyang	7	6
Chi Fulin (resigned)	5	2



## SECTION IX CORPORATE GOVERNANCE REPORT

### (iv) Audit Committee

#### 1. Functions of the Committee

The main 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 financial reports, and to submit them to the Board for review, to conduct the control of connected transactions and 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 effect 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 "Rules of Procedure of the Audit Committee of the Board of Directors of the Company", which have been published on the website of the Company and the HKExnews website.

#### 2. Work summaries and meetings of the Committee

The Audit Committee held a total of 8 meetings, at which the Committee mainly studied and discussed the annual report for 2016 and the interim report for 2017, the internal control self-assessment report for 2016, the social responsibility report for 2016, the environmental, social and governance report for 2016 and the quarterly reports of the Company; and listened to the progress in external audit and audit report by Deloitte Touche Tohmatsu, and the quarterly work report of information on related parties.

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

- (1) On 7 March 2017, the 12th meeting of the Audit Committee under the third session of the Board was held, at which the "Request for Instruction on the Work Plan of the Internal Audit and the Financial Plan for Department in 2017", the "Request for Instruction on the Establishment of Connected Transactions Information Management Platform of the Company" and the "Request for Instruction on the Appointment of External Auditors of the Company for 2017" were considered and approved; the "Report on the Information Work of Connected Parties in the Fourth Quarter of 2016" and the report of external auditors on the audit work for 2016 were heard; the "Proposal for Reviewing the Final Accounts Plan of China Galaxy Securities Co., Ltd. for 2016" and the "Proposal for Reviewing the Annual Report of China Galaxy Securities Co., Ltd. for 2016" were preliminarily reviewed; the report on the internal control appraisal of the Company for 2016 and the duty performance report of the Audit Committee for 2016 were discussed; the "Proposal for Reviewing the Final Accounts Plan of China Galaxy Securities Co., Ltd. for 2016" and the "Proposal for Reviewing the Annual Report of China Galaxy Securities Co., Ltd. for 2016" were preliminarily reviewed and approved for submission to the Board for review.
- (2) On 23 March 2017, the 13th meeting of the Audit Committee under the third session of the Board was held, at which the "Annual Report of China Galaxy Securities Co., Ltd. for 2016" and the "Social Responsibility Report of China Galaxy Securities Co., Ltd. for 2016" were preliminarily reviewed and approved for submission to the Board for review.
- (3) On 25 April 2017, the 14th meeting of the Audit Committee under the third session of the Board was held, at which the "Proposal for Reviewing the First Quarterly Report of China Galaxy Securities Co., Ltd. for 2017" was preliminarily reviewed and approved for submission to the Board for review.
- (4) On 12 May 2017, the 15th meeting of the Audit Committee under the third session of the Board was held, at which the "Report on the Information Work of Connected Parties in the First Quarter of 2017" was considered and approved; the "Proposal for Signing the Framework Agreement on the Trading of Securities and Financial Products and Setting the Annual Caps for 2017-2019 with Galaxy Financial Holdings" was preliminarily reviewed and approved for submission to the Board for review.



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- (5) On 22 June 2017, the 16th meeting of the Audit Committee under the third session of the Board was held, at which the “Proposal for Entering into the Office Lease Agreement between the Headquarters of Galaxy Securities, Nanchang Yanjiang Middle Street Securities Branch of Galaxy Securities, Galaxy Jinhui, Galaxy Capital and China Galaxy Investment Management Company Limited” and the “Proposal for Reviewing the Environmental, Social and Governance Report of China Galaxy Securities Co., Ltd. for 2016” were preliminarily reviewed and approved for submission to the Board for review.
- (6) On 14 August 2017, the 17th meeting of the Audit Committee under the third session of the Board was held, at which the report of the auditors on reviewing the interim report for 2017 was heard; the “Proposal on Audit Management in 2016” and the “Report on the Information Work of Connected Parties in the Second Quarter of 2017” were considered and approved; and the “Proposal for Reviewing the Interim Report of China Galaxy Securities Co., Ltd. for 2017” was preliminarily reviewed and approved for submission to the Board for review.
- (7) On 24 October 2017, the 18th meeting of the Audit Committee under the third session of the Board was held, at which the “Proposal for Reviewing the Third Quarterly Report of the Company for 2017” was preliminarily reviewed and approved for submission to the Board for review.
- (8) On 26 October 2017, the 19th meeting of the Audit Committee under the third session of the Board was held, at which the “Report on the Information Work of Connected Parties in the Third Quarter of 2017” was considered and approved.

### 3. Attendance of members at meetings

<b>Name of members</b>	<b>Required attendance at meetings</b>	<b>Actual attendance</b>
Luo Lin	8	8
Liu Feng (resigned)	8	8
Wu Yuwu	8	8
Liu Ruizhong	2	2
Shi Xun	8	8
Zhang Jinghua (resigned)	8	8
Chi Fulin (resigned)	6	3





## SECTION IX CORPORATE GOVERNANCE REPORT

### V. OPERATION OF THE SUPERVISORY COMMITTEE

#### (i) Meetings of the Supervisory Committee

The Supervisory Committee performs its responsibilities and duties in accordance with the requirements of related laws and regulations and the Articles of Association and the Rules of Procedure of the Supervisory Committee. The Supervisory Committee held a total of 6 meetings in 2017, details of the meetings are as follow:

1. On 7 March 2017, the first extraordinary meeting of the third session of the Supervisory Committee was convened, at which it reviewed the “Proposal for Recommending Ms. Chen Jing as a Candidate for Supervisor of the Company”.
2. On 30 March 2017, the first meeting (regular) of the third session of the Supervisory Committee in 2017 was convened, at which it reviewed the “Work Report of the Supervisory Committee of China Galaxy Securities Co., Ltd. for 2016”, the “Annual Report of China Galaxy Securities Co., Ltd. for 2016”, the “Final Accounts Plan of China Galaxy Securities Co., Ltd. for 2016”, the “Profit Distribution Plan of China Galaxy Securities Co., Ltd. for 2016”, the “Internal Control Assessment Report of China Galaxy Securities Co., Ltd. for 2016”, the “Compliance Report of China Galaxy Securities Co., Ltd. for 2016” and the “Social Responsibility Report of China Galaxy Securities Co., Ltd. for 2016”.
3. On 5 May 2017, the second extraordinary meeting of the third session of the Supervisory Committee in 2017 was convened, at which it reviewed the “Proposal on the Election of Ms. Chen Jing as the Chairperson of the Third Session of the Supervisory Committee of China Galaxy Securities Co., Ltd.”.
4. On 30 August 2017, the second meeting (regular) of the third session of the Supervisory Committee in 2017 was convened, at which it reviewed the “Proposal for Reviewing the Interim Report of China Galaxy Securities Co., Ltd. for 2017” and the “Proposal for Reviewing the Special Report on the Deposit and the Actual Utilization of the Proceeds Raised by the Company in the First Half of 2017”.
5. On 30 October 2017, the third extraordinary meeting of the third session of the Supervisory Committee in 2017 was convened, at which it reviewed the “Proposal for Reviewing the Third Quarterly Report of China Galaxy Securities Co., Ltd. for 2017”.
6. On 20 December 2017, the 4th extraordinary meeting of the third session of the Supervisory Committee in 2017 was convened, at which it reviewed the “Proposal for the 2015-2016 Remuneration Allocation Program of the Full-time Supervisor, Mr. Zhong Cheng”.



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### (ii) Attendance of Supervisors at meetings

Name of Supervisor	Position	Required attendance during the year	Actual attendance	Of which:	
				On-site attendance	Attendance by telephone
Chen Jing	Chairman of the Supervisory Committee	5	5	5	0
Zhong Cheng	Supervisor	6	6	6	0
Liu Zhiyi	Employee Supervisor	6	6	6	0
Chen Jijiang	Employee Supervisor	6	6	6	0
Tao Libin	External Supervisor	6	6	4	2
Number of Supervisory Committee meetings convened during the year				6	
On-site attendance meetings held				6	

### (iii) The Supervisory Committee discovered whether the Company had any risk under its supervision during Reporting Period

Under its supervision during the Reporting Period, the Supervisory Committee identified no risk on the Company. It has no objection to the supervisory matters during the Reporting Period.

### (iv) Supervisor trainings

Date of training	Training contents	Training Participants
18 May 2017	The first special training course of 2017 for directors and supervisors of listed companies within the territory of Beijing	Zhong Cheng, Chen Jijiang
6 December 2017	The tenth special training course of 2017 for directors and supervisors of listed companies within the territory of Beijing	Chen Jing, Liu Zhiyi, Tao Libin

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

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



## SECTION IX CORPORATE GOVERNANCE REPORT

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

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

### VIII. ESTABLISHMENT AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM

#### (i) Statement of the Board regarding its liabilities on internal control

Establishing complete internal controls and effectively implementing them, evaluating their effectiveness and truly disclosing the evaluation report on the internal controls are the duties of the Board. The Supervisory Committee monitors the internal controls established and implemented by the Board. The operational management staff are responsible for organizing and leading the daily operation of the internal control of the Company. The objectives of internal control of the Company are: reasonably guaranteeing the legality of operations of the Company and the effective execution of internal regulatory system; protecting against operational risks and moral risks; securing the safety and completeness of the assets of the Company and its customers; ensuring the reliability, completeness and timeliness of the business records, financial information and other information of the Company; and improving the Company’s operational efficiency and effectiveness, fostering the achievement of strategies objectives of the Company.

As internal control has its inherent restrictions, the Board can only reasonably guarantee that such objectives can be achieved. Furthermore, the effectiveness of internal control may change along with the changes in internal and external environment and operations of the Company.

The Board has completed an evaluation on the internal controls of the Group according to the requirement of the “Basic Internal Control Norms for Enterprises”, the Stock Exchange Listing Rules, the SSE Listing Rules and the relevant requirements of laws and regulations. According to the identification standards for defects in internal control over financial reporting of the Company, as at the reference date of internal control assessment (as at 31 December 2017), 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. In the opinion of the Board, the Company has maintained, in all material respects, effective internal control in accordance with the system of the basic internal control norms for enterprises and the relevant provisions.

The Board will further improve the environment and structure of internal control to enable them to provide the basis for the overall decision-making of the Company. With the gradual deepening of the national laws and regulations and the continuous development of the Company’s business, the Company will further improve and perfect the internal controls and internal control mechanism to promote the development of corporate governance in great depth.



## SECTION IX CORPORATE GOVERNANCE REPORT

### (ii) Basis for Establishment of Financial Reporting Internal Control

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

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

### (iii) Internal control development

The Company is continually committed to the development of internal rules and regulations and an administration system since its establishment. Under the “Basic Internal Control Norms for Enterprises”, 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 had set up an internal control system suitable for its business nature, scale and complexity, and had been able to ensure the legality of operations, the safety of assets and the authenticity and completeness of financial reports and relevant information and improve operating efficiency and effectiveness.

During the Reporting Period, the Company timely tracked the regulatory changes, and based on the relevant stipulations and the latest requirements of the regulatory department, carried out amendments to the relevant business systems, ancillary detailed rules, and compliance management and risk management systems of the Company, which ensured the healthy development of all businesses subject to compliance with laws and regulations and under controllable risks.

The Company has established relevant rules including the comprehensive administrative measures for information wall, the implementation rules for the management of observation list and restriction list and the insider registration system in accordance with regulatory requirements to strengthen the management of sensitive information and insider information, strictly approve and monitor the observation list, the restriction list and wall-crossing conducts, strictly comply with business restrictions and effectively prevent inappropriate use and dissemination of sensitive information. In addition, the Company has also established the material information internal reporting system and the insider information public disclosure system in accordance with laws and regulations, the listing rules for Shanghai and Hong Kong and the Articles of Association to set out clear responsibilities for significant information reporting and disclosure, the process for internal reporting and external disclosure and material mistake accountability system, in order to ensure the information disclosed is true, accurate and complete and that all investors of the Company have equal access to relevant information on the Company in a timely manner.

For details of the construction of risk management system of the Company, please refer to “Section IV Discussion and Analysis on Operation – III. Discussion and Analysis on Future Development of the Company – (VI) Construction of Risk Management System” in this report. The Company is of the opinion that the risk management system of the Company is in effective operation during the Reporting Period.



## SECTION IX CORPORATE GOVERNANCE REPORT

### (iv) Evaluation of the effectiveness of internal control

The Company has a mechanism for internal control governance. The audit department of the Company conducts audit work for the revenue and expenditure of the main units of the Company and the internal control conditions of their operations and evaluates the effectiveness of the Company's internal control system annually in accordance with the annual audit plan approved by the Audit Committee. If deficiencies in internal control are identified, the Company will adopt rectification measures.

The Company has carried a self-evaluation on the effectiveness of the design and operation of internal control of the Group as of 31 December 2017 pursuant to the "Basic Internal Control Norms for Enterprise", the Stock Exchange Listing Rules and the SSE Listing Rules and the relevant requirements of laws and regulations. According to the identification standards for defects in internal control over financial reporting and non-financial reporting of the Company, as at the reference date of internal control assessment (as at 31 December 2017), 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.



## SECTION IX CORPORATE GOVERNANCE REPORT

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

#### (i) Development of Compliance Management System

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

Pursuant to the requirements of the “Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies” issued by the CSRC and the “Guidelines for the Implementation of Compliance Management of Securities Companies” issued by the Securities Association of China, the Company further adjusted and improved the Company’s compliance management organizational structure, established a multi-level compliance management system covering the Board of Directors and the Compliance and Risk Management Committee under the Board of Directors, the Supervisory Committee, the senior management, the Chief Compliance Officer, the Legal and Compliance Department, persons-in-charge and compliance managers of subordinate units (refer to various departments, branches and subsidiaries) and all staff members, and correspondingly defined the respective compliance management responsibilities that shall be fulfilled by them.

The Board of Directors determined the Company’s objectives for compliance management and is responsible for the effectiveness of compliance management. The Compliance and Risk Management Committee established under the Board of Directors is responsible for approving the basic concepts and coverage of compliance management, considering the overall objectives and basic policies of compliance management and providing advice. It is responsible for directing and monitoring the establishment of the Company’s compliance management system, considering the setting up of a compliance management institution and its duties and providing advice, etc.

The Supervisory Committee is responsible for monitoring the performance of compliance management duties by Directors and senior management of the Company and proposing dismissals of the Directors and senior management who have the primary responsibilities or leadership responsibilities for major compliance risks.

The senior management is responsible for implementing the compliance management objectives and is responsible for compliance operations. It is responsible for establishing a sound compliance management organizational structure, complying with the compliance management procedures, engaging adequate and appropriate compliance management officers and providing sufficient manpower, material and financial resources, technical support and guarantee for their performance of duties. The senior management timely reports, rectifies and pursues liabilities for any violation of laws and regulations found.

The Chief Compliance Officer is a senior management officer of the Company, and is directly responsible to the Board of Directors. He/she reviews, supervises and inspects the compliance of operation and management of the Company and its staff. The Chief Compliance Officer shall not be in any positions that conflict with compliance management duties and shall not be responsible for managing departments that conflict with compliance management duties.

The Legal and Compliance Department is responsible to the Chief Compliance Officer. It reports to the Chief Compliance Officer and assists the Chief Compliance Officer to implement compliance management work. It is responsible for the actual organization and implementation of the Company’s compliance management work and the performance of various compliance management duties.

The persons-in-charge of each unit under the Company are responsible for implementing the compliance management objectives of the unit and undertaking responsibility for the compliance operation of the unit. Each unit under the Company engages full-time and part-time compliance management officers for the actual implementation of the compliance management duties of the unit and the commencement of compliance management work.

All staff members are responsible for the compliance of all business matters and practicing activities within their own business scopes and the performance of all duties of compliance management.



## SECTION IX CORPORATE GOVERNANCE REPORT

Compliance management organizational system of the Company emphasizes on the frontline compliance management responsibilities of business and engages full-time and part-time compliance management officers in all business lines/business departments, branches and subsidiaries for the full implementation of frontline compliance responsibilities and the realization of full coverage of compliance management.

During the Reporting Period, the Company formulated, revised and issued the Article of Association, the “Compliance Management System of China Galaxy Securities Co., Ltd.”, the “Anti-money Laundering and Anti-Terrorist Financing Management System of China Galaxy Securities Co., Ltd.”, the “Administrative Measures for Reporting Large and Suspicious Transactions of China Galaxy Securities Co., Ltd.”, the “Compliance Assessment Measures of China Galaxy Securities Co., Ltd.”, the “Administrative Measures for Information Wall of China Galaxy Securities Co., Ltd.”, the “Implementation Rules for the Management of Observation List and Restriction List of China Galaxy Securities Co., Ltd.”, the “Implementation Rules for the Management of People on the Information Wall of China Galaxy Securities Co., Ltd.”, the “Implementation Rules for the Compliance Management of Branches of China Galaxy Securities Co., Ltd.”, the “Implementation Rules for the Management of Abnormal Transactions of China Galaxy Securities Co., Ltd.”, the “Rules for the Compliance Management of the Subsidiaries of China Galaxy Securities Co., Ltd.” and the “Compliance Code of China Galaxy Securities Co., Ltd.” and so on in accordance with the “Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies” issued by the CSRC and the “Guidelines for Implementation of Compliance Management of Securities Companies” issued by the Securities Association of China.

### (ii) Inspections completed by compliance authorities

During the Reporting Period, according to requirements of the regulatory authorities, the material risk events in the market and the major issues reflected in the management of the Company, the Company mainly conducted compliance inspections, including: the compliance inspection of investment banking business, the compliance inspection of margin financing and securities lending business and share pledge business, the annual compliance inspection of the basic management of all branches and key businesses, the compliance and risk control inspection of special projects conducted by branches, inspection of new business branches, the anti-money laundering inspections of all business lines and branches, the inspection of investor suitability management and the compliance inspection of subsidiaries.

### (iii) Audit work completed by audit department

During the Reporting Period, the internal audit of the Company continued to adhere to the risk-oriented, internal control-focused and value adding-targeted mission, and mainly audited the high-risk businesses concerned by the Company’s headquarters, securities branches and regulatory authorities. During the Reporting Period, the audit department of the Company organized and completed a total of 185 audit projects, including an annual self-evaluation on the internal control of the Company, an annual assessment on the compliance effectiveness. There were 7 audit projects including audits of the internal control of securities investment fund custody business and connected transactions, audit of anti-money laundering management and audits of out-going persons-in-charge of business headquarter and research department of the New OTC Board; 6 audit projects of the internal control of subsidiaries and their out-going persons-in-charge; 130 internal control audits of securities business departments and 37 economic liabilities audits of persons-in-charge of securities business departments; 5 special audit projects of ad-hoc events.



## SECTION IX CORPORATE GOVERNANCE REPORT

### X. MISCELLANEOUS

#### (i) Rights of shareholders

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

#### (ii) Compliance with the code on securities transactions

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

#### (iii) Responsibilities of Directors for the financial statements

The following responsibility statement of Directors regarding the financial statements shall be read in conjunction with the responsibility statement of the public certified accountants included in the Independent Auditor's Report 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 2016 annual general meeting, the Company resolved to re-appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the Company's external auditors for 2017 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 change in the accounting firms appointed: No

Name of the PRC accounting firm, signing auditors and duration of service: Deloitte Touche Tohmatsu Certified Public Accountants LLP, Man Kai Sze and Ma Xiaobo (2011: Wang Pengcheng, Zheng Wei, 2012: Gu Jun and Fu Shanshan, 2013: Gu Jun and Ma Qiang, 2014: Lv Jing and Ma Qiang; 2015: Lv Jing and Ma Qiang; 2016: Man Kai Sze and Ma Qiang), 7 years; Name of the international accounting firm and duration of service: Deloitte Touche Tohmatsu, 5 years.

Remuneration for the accounting firm: In accordance with the resolutions passed at the 2016 annual general meeting, the annual external audit fee of the Company in 2017 amounted to RMB5.06 million (inclusive of tax, the amount exclusive of tax was RMB4.782 million), in which the agreed-upon procedure fee of A Shares in the first quarter and the third quarter amounted to RMB0.40 million, the interim report review fee amounted to RMB1.36 million and the annual audit fee amounted to RMB3.30 million. In 2017, the Company paid Deloitte Touche Tohmatsu Certified Public Accountant LLP and Deloitte Touche Tohmatsu an annual audit fee of RMB3.91 million.

#### (v) Review by the Audit Committee

The Audit Committee has reviewed the 2017 Consolidated Financial Statements of the Company.





## SECTION IX CORPORATE GOVERNANCE REPORT

### (vi) Company Secretary

Mr. Wu Chengming and Ms. Mok Ming Wai are the joint company secretaries of the Company. Mr. Wu Chengming, the secretary to the Board, is responsible for making recommendations on issues related to the corporate governance to the Board, and ensuring the policies and procedures of the Board, applicable laws, rules and regulations are strictly followed. Ms. Mok Ming Wai is a director and the head of listing services of TMF Hong Kong Limited. The main contact person of the Company is Mr. Wu Chengming, an executive Director and secretary to the Board.

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

### (vii) Communication with shareholders

The general meeting is the supreme authority of the Company. 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](http://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 to “Section II Company Profile and Major Financial Information” in this report for the contact details.

The Company welcomes all shareholders to attend general meetings and provides convenience to shareholders who are attending if allowable. The Company’s Directors, Supervisors and senior management officers will attend general meetings. In accordance with code provision E.1.2 of the CG 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 annual general meetings to answer questions raised at annual general meetings and the Company’s management shall ensure that the externally hired auditor will attend annual general meetings to answer the relevant questions raised by shareholders.

Shareholders may convene an extraordinary general meeting or a class meeting pursuant to Article 74 and Article 79 of the Articles of Association and put forward proposals. Shareholders may attend and vote at 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 is 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 2017 annual general meeting.



## SECTION IX CORPORATE GOVERNANCE REPORT

### (viii) Investor relations

The Company has set up an effective communication channel with investors. It carries out investor relationship maintenance work under the principles of openness and fairness and with a proactive attitude while conforming to the rules. In 2017, the Company strengthened communication and contact with the general public of domestic and overseas shareholders, potential investors, investment bank analysts and fund managers, and received over 320 person-times of all types of investors, analysts and fund managers for the whole year through participation in investment bank summits, reception of visitors, phone conference of one-to-one and one-to-many formats, phone and email communications etc. Also, the chairman, general manager and the relevant senior management staff of the Company attended the event for the release of performance results, phone conferences with analysts etc, to help investors to understand the Company and timely answered the queries of investors, seriously listened to the opinions 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 the important matters of the Company in a timely manner, protecting the investors' interests to the greatest extent.

### (ix) Board member diversity policy

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

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

### (X) Amendments to the Articles of Association

Due to the listing of A Shares of the Company and the corresponding change in the total number of shares of the Company, amendments to the registered capital and share capital structure of the Company as set out in the Articles of Association were made, and such amendments were approved at the 2016 annual general meeting convened on 22 June 2017. In accordance with the "Amending Guidelines regarding Incorporating Party Building Work into the Articles of Association of Central Financial Enterprises" issued by the Ministry of Finance of the PRC and other applicable laws and regulations, the Company incorporated articles regarding party building work into its Articles of Association, and such articles were approved at the second extraordinary general meeting of 2017 convened on 20 September 2017. Also, the Company revised the provisions with respect to the compliance duties of the Board of Directors, the Supervisory Committee and the senior management members, the duties, conditions and procedures for appointment and removal of the Chief Compliance Officer, and the name and compliance duties of the Risk Management Committee in the Articles of Association, and set out clearly that the Company may invest in and set up subsidiaries to engage in private equity investment fund business and alternative investment business. Such amendments were approved at the first extraordinary general meeting of 2018 convened on 9 February 2018.



## SECTION X INDEPENDENT AUDITOR'S REPORT

### INDEPENDENT AUDITOR'S REPORT

**Deloitte.**  
**德勤**

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

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

### OPINION

We have audited the consolidated financial statements of China Galaxy Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 143 to 239, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

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



## SECTION X INDEPENDENT AUDITOR'S REPORT

### Key audit matter

### How our audit addressed the key audit matter

#### **Consolidation of structured entities**

We identified the consolidation of structured entities (in particular collective asset management schemes) as a key audit matter as whether to consolidate these structured entities affect various line items of the financial statements and relevant disclosures, and it involves significant judgement.

As at 31 December 2017, details of the Group's interests in structured entities, which the Group acted as an asset manager, or both as an asset manager and investor, are set out in Note 47 to the consolidated financial statements.

The Group assesses whether to consolidate these structured entities by considering a combination of factors: the principal activities of these structured entities and their variable returns, the Group's power over and interest in these structured entities, investment income and management remuneration obtained, and under what circumstance the asset managers can be removed.

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

- Evaluating the design and operating effectiveness of key controls of management on determining the consolidation scope as set out in IFRS 10 "Consolidated Financial Statements";
- Reading the related investment contracts and service agreements in respect of these structured entities to assess whether management judgement is appropriate by considering the following factors:
  - The relevant activities of these structured entities and how variable returns are generated;
  - The Group's power over these structured entities and how it can affect the variable returns;
  - Variable returns entitled, primarily investment income and management remuneration; and
  - Under what circumstances the managers of the relevant structured entities can be removed.



## SECTION X INDEPENDENT AUDITOR'S REPORT

### Key audit matter

### How our audit addressed the key audit matter

#### ***Impairment of available-for-sale equity financial assets***

We identified the impairment of available-for-sale equity financial assets as a key audit matter. As at 31 December 2017, the Group holds available-for-sale equity financial assets of RMB17,909 million, among which RMB17,641 million were recorded at fair values and RMB268 million were recorded at costs less impairment. Details of equity available-for-sale financial assets are disclosed in Note 23 to the consolidated financial statements.

As at 31 December 2017, fair values of certain available-for-sale equity financial instruments were below their costs by RMB612 million in aggregate and this decline in fair value was recorded to an investment revaluation reserve. Management judges that the decline of fair value below costs is significant or prolonged for certain of these financial assets. Therefore, an impairment allowance of RMB639 million made for current equity instruments and recorded during the year.

Unlisted equity available-for-sale financial assets of RMB268 million were measured at cost less impairment. The accumulated impairment in respect of these financial assets amounted to RMB148 million but the Group made no further impairment during the year. The management judges whether impairment indicators exist and considers whether the carrying amounts of these assets are below their present values of the estimated future cash flows.

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

- Evaluating the management's key controls design and operation on identification of available-for-sale equity securities with indications of impairment;

#### Available-for-sale equity financial assets measured at fair value

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

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

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



## SECTION X INDEPENDENT AUDITOR'S REPORT

### OTHER INFORMATION

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

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

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

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

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

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

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

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

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



## SECTION X INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

#### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*  
Hong Kong

28 March 2018



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2017	2016
Revenue			
Commission and fee income	6	6,355,074	7,987,206
Interest income	7	7,344,019	7,301,986
Net investment gains	8	2,256,361	3,021,017
		<b>15,955,454</b>	18,310,209
Other income, gains and losses	9	30,383	92,905
Total revenue and other income		<b>15,985,837</b>	18,403,114
Depreciation and amortization	10	(216,470)	(201,539)
Staff costs	11	(4,100,538)	(4,427,183)
Commission and fee expenses	12	(269,874)	(279,334)
Interest expenses	13	(4,357,613)	(4,840,271)
Other operating expenses	14	(1,550,578)	(1,825,640)
Impairment losses	15	(682,109)	(252,516)
Total expenses		<b>(11,177,182)</b>	(11,826,483)
Profit before income tax		<b>4,808,655</b>	6,576,631
Income tax expense	16	(789,681)	(1,391,224)
Profit for the year		<b>4,018,974</b>	5,185,407
Attributable to:			
Owners of the Company		<b>3,980,730</b>	5,153,546
Non-controlling interests		<b>38,244</b>	31,861
		<b>4,018,974</b>	5,185,407
Earnings per share attributable to owners of the Company (in RMB)			
– Basic	17	<b>0.39</b>	0.54

The notes on pages 143 to 239 form an integral part of these consolidated financial statements.





## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2017	2016
Profit for the year	<b>4,018,974</b>	5,185,407
Other comprehensive (expenses)/income includes:		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit obligation	<b>(6,648)</b>	8,510
	<b>(6,648)</b>	8,510
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Available-for-sale financial assets		
Fair value gains/(losses)	<b>52,179</b>	(723,064)
Reclassification of gains to profit or loss on disposals	<b>(335,878)</b>	(845,878)
Reclassification of losses to profit or loss on impairment	<b>639,320</b>	191,458
Income tax relating to items that may be classified subsequently	<b>(88,905)</b>	344,371
Subtotal	<b>266,716</b>	(1,033,113)
Exchange differences arising on translation of foreign operations	<b>(99,256)</b>	76,312
Other comprehensive income/(expense) for the year, net of income tax	<b>160,812</b>	(948,291)
Total comprehensive income for the year	<b>4,179,786</b>	4,237,116
Attributable to:		
Owners of the Company	<b>4,141,542</b>	4,205,255
Non-controlling interests	<b>38,244</b>	31,861
	<b>4,179,786</b>	4,237,116

The notes on pages 143 to 239 form an integral part of these consolidated financial statements.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
		2017	2016
<b>Non-current assets</b>			
Property and equipment	19	381,079	397,904
Goodwill	20	223,278	223,278
Other intangible assets	21	385,796	354,241
Financial assets held under resale agreements	22	23,916,025	6,989,078
Available-for-sale financial assets	23	15,186,366	17,681,691
Held-to-maturity investments	24	1,419,541	–
Investments classified as loan and receivables	25	2,736,282	3,069,402
Deposits with exchanges and a non-bank financial institution	26	484,838	429,396
Bank deposits	27	–	900,000
Deferred tax assets	28	168,048	239,630
<b>Total non-current assets</b>		<b>44,901,253</b>	30,284,620
<b>Current assets</b>			
Advances to customers	29	60,063,731	55,476,601
Accounts receivable	30	1,002,842	774,651
Tax recoverable		565,577	662,699
Other receivables and prepayments	31	4,028,350	3,708,746
Financial assets held under resale agreements	22	14,340,106	6,017,122
Available-for-sale financial assets	23	18,874,475	18,842,448
Held-to-maturity investments	24	2,125,632	–
Investments classified as loan and receivables	25	2,247,865	573,710
Financial assets held for trading	32	23,249,704	27,117,771
Financial assets designated at fair value through profit or loss	33	5,760,592	2,245,547
Derivative financial assets	34	22,936	8,477
Deposits with exchanges and a non-bank financial institution	26	5,351,712	6,640,659
Clearing settlement funds	35	12,538,492	25,363,435
Bank balances	27	59,741,699	68,164,034
<b>Total current assets</b>		<b>209,913,713</b>	215,595,900
<b>Total assets</b>		<b>254,814,966</b>	245,880,520
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	36	10,137,259	9,537,259
Reserves	37	38,498,827	33,876,325
Retained profits	37	15,876,941	14,574,962
<b>Equity attributable to owners of the Company</b>		<b>64,513,027</b>	57,988,546
<b>Non-controlling interests</b>		<b>373,406</b>	365,353
<b>Total equity</b>		<b>64,886,433</b>	58,353,899



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
		2017	2016
Liabilities			
Non-current liabilities			
Bonds payable	38	45,739,475	24,012,382
Financing instrument payables	39	4,180,190	–
Other payables and accruals	40	3,156,971	2,981,003
Financial liabilities designated at fair value through profit or loss	41	25,370	–
Deferred tax liabilities	28	6,581	–
Total non-current liabilities		53,108,587	26,993,385
Current liabilities			
Bonds payable	38	16,014,798	22,300,000
Due to banks and other financial institutions	42	3,050,331	1,785,422
Financing instrument payables	39	25,274,330	11,518,110
Accounts payable to brokerage clients	43	64,787,132	90,404,209
Accrued staff costs	44	3,389,597	4,036,814
Other payables and accruals	40	5,145,580	5,188,003
Current tax liabilities		63,683	54,521
Financial liabilities designated at fair value through profit or loss	41	243,121	713,502
Derivative financial liabilities	34	135,150	38,002
Financial assets sold under repurchase agreements	45	18,716,224	24,494,653
Total current liabilities		136,819,946	160,533,236
Total liabilities		189,928,533	187,526,621
Total equity and liabilities		254,814,966	245,880,520
Net current assets		73,093,767	55,062,664
Total assets less current liabilities		117,995,020	85,347,284

The notes on pages 143 to 239 form an integral part of these consolidated financial statements.

Approved and authorized for issue by the Board of Directors on 28 March 2018 and are signed on its behalf by:

**Chen Gongyan**

DIRECTOR

**Gu Weiguo**

DIRECTOR



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	Equity attributable to owners of the Company										
	Reserves							Retained profits	Subtotal	Non-controlling interests	Total equity
	Share capital	Capital reserve	Investment revaluation reserve	Translation reserve	General reserves	Other reserves					
Balance at 1 January 2016	9,537,259	21,673,175	597,408	37,072	11,109,898	(35,148)	13,993,902	56,913,566	335,850	57,249,416	
Profit for the year	-	-	-	-	-	-	5,153,546	5,153,546	31,861	5,185,407	
Other comprehensive income/(expense) for the year	-	-	(1,033,113)	76,312	-	8,510	-	(948,291)	-	(948,291)	
Total comprehensive income/(expense) for the year	-	-	(1,033,113)	76,312	-	8,510	5,153,546	4,205,255	31,861	4,237,116	
Appropriation to general reserves	-	-	-	-	1,442,211	-	(1,442,211)	-	-	-	
Dividends recognized as distribution (Note 18)	-	-	-	-	-	-	(3,130,011)	(3,130,011)	-	(3,130,011)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(2,056)	(2,056)	
Change in ownership interests in an existing subsidiary	-	-	-	-	-	-	(264)	(264)	(302)	(566)	
Balance at 31 December 2016	<b>9,537,259</b>	<b>21,673,175</b>	<b>(435,705)</b>	<b>113,384</b>	<b>12,552,109</b>	<b>(26,638)</b>	<b>14,574,962</b>	<b>57,988,546</b>	<b>365,353</b>	<b>58,353,899</b>	
Profit for the year	-	-	-	-	-	-	3,980,730	3,980,730	38,244	4,018,974	
Other comprehensive income/(expense) for the year	-	-	266,716	(99,256)	-	(6,648)	-	160,812	-	160,812	
Total comprehensive income/(expense) for the year	-	-	266,716	(99,256)	-	(6,648)	3,980,730	4,141,542	38,244	4,179,786	
Issuance of new shares	600,000	3,486,000	-	-	-	-	-	4,086,000	-	4,086,000	
Transaction costs attributable to issue of new shares	-	(131,786)	-	-	-	-	-	(131,786)	-	(131,786)	
Appropriation to general reserves	-	-	-	-	1,107,476	-	(1,107,476)	-	-	-	
Dividends recognized as distribution (Note 18)	-	-	-	-	-	-	(1,571,275)	(1,571,275)	-	(1,571,275)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(30,191)	(30,191)	
Balance at 31 December 2017	<b>10,137,259</b>	<b>25,027,389</b>	<b>(168,989)</b>	<b>14,128</b>	<b>13,659,585</b>	<b>(33,286)</b>	<b>15,876,941</b>	<b>64,513,027</b>	<b>373,406</b>	<b>64,886,433</b>	

The notes on pages 143 to 239 form an integral part of these consolidated financial statements.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2017	2016
<b>OPERATING ACTIVITIES</b>			
Profit before income tax		<b>4,808,655</b>	6,576,631
Adjustments for			
Interest expenses		<b>4,357,613</b>	4,840,271
Depreciation and amortization		<b>216,470</b>	201,539
Impairment losses		<b>682,109</b>	252,516
Gains on disposal of property and equipment and other intangible assets	9	<b>(572)</b>	(522)
Foreign exchange losses, net	9	<b>10,095</b>	5,468
Net realized gains from disposal of available-for-sale financial assets	8	<b>(366,565)</b>	(883,109)
Dividend income and interest income from available-for-sale financial assets	8	<b>(1,205,289)</b>	(1,016,540)
Interest income from investments classified as loan and receivables		<b>(159,552)</b>	(204,453)
Interest income from held-to-maturity investments		<b>(43,207)</b>	–
Operating cash flows before movements in working capital		<b>8,299,757</b>	9,771,801
(Increase)/decrease in advances to customers		<b>(4,604,673)</b>	14,661,514
Increase in accounts and other receivables		<b>(299,659)</b>	(1,910,970)
(Increase)/decrease in financial assets held under resale agreements		<b>(25,268,156)</b>	8,729,097
Decrease in financial assets at fair value through profit or loss and derivative financial assets		<b>338,563</b>	9,575,559
Decrease in restricted bank deposits		<b>–</b>	689,234
Decrease/(increase) in deposits with exchanges and a non-bank financial institution		<b>1,233,505</b>	(2,681,092)
Decrease/(increase) in clearing settlement funds-clients		<b>11,861,786</b>	(1,776,005)
Decrease in cash held on behalf of customers		<b>10,437,922</b>	32,680,703
Decrease in accounts payable to brokerage clients, accrued staff costs and other payables and accruals		<b>(24,940,846)</b>	(29,640,895)
(Decrease)/Increase in financial liabilities at fair value through profit or loss and derivative financial liabilities		<b>(347,863)</b>	349,022
Decrease in financial assets sold under repurchase agreements		<b>(5,778,429)</b>	(20,358,267)
Decrease in placements from a non-bank financial institution		<b>500,000</b>	–
Cash used in operations		<b>(23,568,093)</b>	20,089,701
Income taxes paid		<b>(791,261)</b>	(1,734,418)
Interests paid		<b>(1,180,823)</b>	(2,013,316)
<b>NET CASH (USED IN)/FROM OPERATING ACTIVITIES</b>		<b>(30,540,177)</b>	16,341,967



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2017	2016
<b>INVESTING ACTIVITIES</b>			
Dividends and interest received from investments		1,242,268	962,949
Purchases of property and equipment and other intangible assets		(277,247)	(158,436)
Proceeds on disposal of property and equipment and other intangible assets		6,334	3,010
Purchases of available-for-sale financial assets		(19,638,097)	(25,557,693)
Proceeds on disposals of available-for-sale financial assets		22,184,261	20,472,909
Purchases of held-to-maturity investment		(3,545,173)	–
Purchases of investments classified as loan and receivables		(1,769,767)	(573,710)
Maturity of investments classified as loan and receivables		576,516	250,000
Placement of bank deposits with original maturity of more than three months		(972,745)	(1,835,638)
Maturity of bank deposits with original maturity of more than three months		1,835,638	1,251,051
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(358,012)</b>	<b>(5,185,558)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of new shares		4,086,000	–
Transaction costs paid on issues of new shares		(163,090)	–
Proceeds from bonds issued	56	40,192,366	18,716,702
Repayment of bonds	56	(24,832,690)	(22,830,000)
Proceeds from financing instrument payables	56	29,454,520	8,518,110
Repayment of financing instrument payables	56	(11,518,110)	(10,867,870)
Proceeds from due to banks and other financial institutions	56	2,550,331	1,785,422
Repayment of due to banks and other financial institutions	56	(1,785,422)	(1,190,515)
Proceeds from third-party interests in consolidated structured entities	56	118,845	1,152,258
Repayment of third-party interests in consolidated structured entities	56	(1,299,988)	(365,859)
Interests paid in respect of bonds	56	(2,356,509)	(2,369,423)
Interests paid in respect of due to banks and financing instrument payables	56	(709,058)	(1,001,564)
Dividends paid	56	(1,571,275)	(3,130,011)
Dividends paid to non-controlling shareholders	56	(3,020)	(2,056)
<b>NET CASH FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>32,162,900</b>	<b>(11,584,806)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,264,711</b>	<b>(428,397)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>8,011,071</b>	<b>8,415,414</b>
Effect of foreign exchange rate changes		(249,388)	24,054
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	46	<b>9,026,394</b>	<b>8,011,071</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:</b>			
Interests received		7,752,488	7,066,023

The notes on pages 143 to 239 form an integral part of these consolidated financial statements.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(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. 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”). On 23 January 2017, the Company completed its A Share Offering of 600 million shares on Shanghai Stock Exchange.

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

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in securities and futures brokerage, institutional sales and investment research, proprietary trading and other securities trading services, margin financing and securities lending, asset management and wealth management, equity investment management.

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

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

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

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

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) that are relevant for the preparation of the Group’s current year’s financial statements.

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014-2016 Cycle

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

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

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

##### **Amendments to IAS 7 Disclosure Initiative**

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following changes to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other business; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair value; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 56. Consistent with transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 56, the application of these amendments has had no impact on the Group's consolidated financial statements.

#### 2.2 New and revised IFRSs issued but not yet effective

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

IFRS 9	Financial Instruments <sup>1</sup>
IFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
IFRS 16	Leases <sup>2</sup>
IFRS 17	Insurance Contracts <sup>4</sup>
IFRIC 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
IFRIC 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts <sup>1</sup>
Amendments to IFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement <sup>2</sup>
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle <sup>1</sup>
Amendments to IAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle <sup>2</sup>

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

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

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

Except as described below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.





## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

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

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

##### IFRS 9-Financial Instruments

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

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

- All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding (“contractual cash flow characteristics test”) are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that satisfy the contractual cash flow characteristics test, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under IAS 39 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Based on the Group’s financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following impact upon initial application of IFRS 9.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

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

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

##### **IFRS 9-Financial Instruments (Continued)**

###### *Classification and measurement*

- Debt instruments classified as available-for-sale financial assets carried at fair value as disclosed in Note 23: All of these financial assets satisfy the contractual cash flow characteristics tests, and are held within a business model whose objective is achieved by both collecting contractual cash flows and selling these debt instruments in the open market. Accordingly, these financial assets will continue to be subsequently measured at FVTOCI upon the application of IFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the debt instruments are derecognized.
- Equity securities, funds and other investments classified as available-for-sale financial assets carried at fair value as disclosed in Note 23: Equity securities and certain other investments are qualified for designation as measured at FVTOCI under IFRS 9 and the Group elects this option. For these financial assets, the fair value gains or losses accumulated in the investment revaluation reserve as at 1 January 2018 will no longer be subsequently reclassified to profit or loss under IFRS 9, which is different from the current treatment under IAS 39. This will affect amounts recognized in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income. The Group will not elect the option for designation at FVTOCI for the remaining available-for-sale equity financial assets carried at fair value. Therefore, the remaining equity financial assets, together with funds and other investments not qualified for the designation at FVTOCI, will be measured at fair value with subsequent fair value gains or losses to be recognized in profit or loss. Upon initial application of IFRS 9, investment revaluation reserve relating to these remaining financial assets will be transferred to retained profits as at 1 January 2018.
- Private equity securities classified as available-for-sale financial assets carried at costs less impairment as disclosed in Note 23: All of these financial assets are qualified for designation as measured at FVTOCI under IFRS 9 but the Group will not elect this option for designation at FVTOCI for these financial assets. Therefore, these financial assets will be measured at fair value with subsequent fair value gains or losses to be recognized in profit or loss. Upon initial application of IFRS 9, fair values changes, representing the differences between the cost less impairment and fair value, will be adjusted to retained profits as at 1 January 2018.
- Investments classified as loan and receivables carried at amortized costs as disclosed in Note 25: Some of these financial assets satisfy the contractual cash flow characteristics test, and are held within a business model whose objective is to collect contractual cash flows. Accordingly, these financial assets will continue to be subsequently measured at amortized cost upon the application of IFRS 9. However, some of these financial assets fail the contractual cash flow characteristics test and therefore will be measured subsequently at fair value with fair value gains or losses to be recognized in profit or loss under IFRS 9. Upon initial application of IFRS 9, fair values changes, representing the differences between the amortized cost and fair value, will be adjusted to retained profits as at 1 January 2018;
- All other financial assets and liabilities will continue to be measured on the same basis as are currently measured under IAS 39.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

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

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

##### **IFRS 9-Financial Instruments (Continued)**

###### *Impairment*

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortized costs and other items that are subject to the impairment provision upon application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, the adoption of the new classification and measurement basis and expected credit loss model mentioned above in respect of financial assets will increase and decrease the retained profits and the investment revaluation reserve as at 1 January 2018 respectively by less than 3% of the total equity attributable to owners of the Company as at 31 December 2017. The net impact to the total equity attributable to owners of the Company as at 1 January 2018 is less than 3% of the amount as at 31 December 2017.

##### **IFRS 15-Revenue from Contracts with Customers**

IFRS15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

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

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

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

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principle versus agent considerations, as well as licensing application guidance.

The Group provides various types of financial services. Revenue comprises various services as disclosed in Note 6 and certain interest income as disclosed in Note 7. Interest income, a significant component of the Group's revenue, is not under the scope of IFRS15. The Group has assessed the impact of IFRS 15 on the remaining revenue and does not expect that the application of the standard will have a significant impact on recognition or measurement of income from majority of these services. However, the application of IFRS 15 may result in more disclosures in the consolidated financial statements.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

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

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

##### IFRS 16-Leases

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

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

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

Under IAS 17, a lessee recognizes an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the lessee presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

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

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB1,162 million as disclosed in Note 49. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB44 million as rights under leases to which IAS 17 applies. Based on the definition of leases payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such may be adjusted to amortized cost and such adjustments are considered as additional leases payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

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

#### Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

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

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

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

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

#### Basis of consolidation

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

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

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



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of consolidation (Continued)

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

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

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

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

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

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

#### **Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity (including provisions) and the non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiaries. Upon re-attribution of such interests, the 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 attributable to owners of the Company.

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



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Goodwill

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

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

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

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

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

#### Revenue recognition

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

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

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

- (i) Commission income for broking business is recorded as income on a trade date basis, and service fees arising from broking business are recognized when services are rendered;
- (ii) Underwriting and sponsors fees are recognized as income in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed; and
- (iii) Asset management fee income is recognized when the Group is entitled to receive the fees according to the asset management agreement.

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

Interest income is accrued on a time basis, by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leasing

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

#### **The Group as lessor**

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

#### **The Group as lessee**

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

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

#### **Leasehold land and building**

When the Group makes payment for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

#### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of 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 that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise.

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





## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Borrowing costs

Borrowing costs that are not directly attributable to qualifying assets are recognized in profit or loss in the period in which they are incurred.

#### Government grants

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

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

#### Employee Benefits

##### **Retirement benefit costs and termination benefits**

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorized as follows:

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

The Group presents the first two components of defined benefit costs in profit or loss in the line item staff costs. Curtailment gains and losses are accounted for as past service costs.

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

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



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Employee Benefits (Continued)

##### **Short-term employee benefits**

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

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

#### Taxation

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

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before income tax” as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and 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**

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference 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 and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Taxation (Continued)

##### **Current and deferred tax for the year**

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

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

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

<b>Classes</b>	<b>Estimated residual value rates</b>	<b>Useful lives</b>
Leasehold land and buildings	5%	20-40 years
Electronic and communication equipment	0-4%	3-5 years
Motor vehicles	4-5%	4-10 years
Office equipment	nil	5 years
Leasehold improvements	nil	Over the lease term ranging from 36 months to 5 years



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Intangible assets

##### **Intangible assets acquired separately**

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

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

The estimated useful lives of computer software are 3 years.

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

At the end of the each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite lives 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 relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

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



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments

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

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

#### **Financial assets**

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (“FVTPL”), held-to-maturity investments, available-for-sale (“AFS”) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### *Effective interest method*

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

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### **Financial assets (Continued)**

###### *Financial assets at FVTPL*

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "net investment gains" line item. Fair value is determined in the manner described in Note 58.

###### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that are quoted in an active market and that the Group has the positive intention and ability to hold to maturity.

The Group designated certain debt securities as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### **Financial assets (Continued)**

###### *Loans and receivables*

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

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

###### *Available-for-sale financial assets*

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

Equity and debt securities held by the Group that are classified as AFS financial assets and traded in active markets are measured at fair value at the end of each reporting period except for quoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method are recognized in profit or loss. Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. See the accounting policy set out below for impairment losses on financial assets.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

###### *Impairment of financial assets*

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

For AFS equity investment, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### **Financial assets (Continued)**

##### *Impairment of financial assets (Continued)*

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

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

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

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

For financial assets carried at cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods. (See the accounting policy set out below)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of financial assets held under resale agreements, 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 a financial assets held under resale agreements, an advance to customer, an account receivable or an other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.





## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### **Financial liabilities and equity instruments**

###### *Classification as debt or equity*

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

###### *Equity Instruments*

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

###### *Effective interest method*

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

Interest expense is recognized on an effective interest basis.

###### *Financial liabilities*

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

###### *Financial liabilities at FVTPL*

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

A financial liability is classified as held for trading if:

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



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### **Financial liabilities and equity instruments (Continued)**

###### *Financial liabilities at FVTPL (Continued)*

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

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest paid on the financial liability and is included in the "net investments gains" line item. Fair value is determined in the manner described in Note 58.

###### *Financial liabilities at amortized costs*

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

###### *Derivative financial instruments*

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

###### *Embedded derivatives*

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. Generally, multiple embedded derivatives in a single instrument are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and readily separable and independent of each other.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### **Financial liabilities and equity instruments (Continued)**

###### *Derecognition*

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and the rewards of ownership of the asset to another entity. 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 complete derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

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

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

Financial assets sold subject to repurchase agreements, which do not result in derecognition of the financial assets, are continued to be recorded as "financial assets held for trading" or "available-for-sale financial assets" as appropriate. The corresponding liability is included in "financial assets sold under repurchase agreements". Consideration paid for financial assets held under agreements to resell are recorded as "financial assets held under resale agreements".

###### *Securities lending*

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

###### *Offsetting financial assets and financial liabilities*

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



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 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.

#### Critical judgement in applying accounting

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

#### Consolidation of structured entities

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

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

#### Impairment of available-for-sale financial assets

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

#### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

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

#### Key sources of estimation uncertainty (Continued)

##### **Fair value of investments with restriction on disposals**

For 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 if market participants would take the restrictions into account when pricing the assets. 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 58.

### 5. SEGMENT REPORTING

Information reported to the chief operating decision maker (the “CODM”), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group’s basis of organization, whereby the businesses are organized and managed separately as individual strategic business unit that offers different products and serves different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the board of directors, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

Specifically, the Group’s operating segments are as follows:

- (a) Securities brokerage: This segment engages in the provision of securities dealing and broking, margin financing to margin clients and securities lending;
- (b) Futures brokerage: This segment engages in futures dealing and broking, futures information consulting and training;
- (c) Proprietary trading and other securities trading services: This segment engages in trading of equities, bonds, funds, derivatives and other financial products for the Group;
- (d) Investment banking: This segment engages in the provision of corporate finance services including underwriting of equity and debt securities and financial advisory services to institutional clients;
- (e) Asset management: This segment engages in the provision of portfolio management, investment advisory and transaction execution services;



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 5. SEGMENT REPORTING (Continued)

- (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) Hong Kong business: This segment mainly represents the business operations in securities brokerage, futures brokerage, securities research, investment banking, margin financing, money lending, asset management and insurance brokerage business that are carried out in Hong Kong; and

Others mainly represent head office operations, investment 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 and liabilities. 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.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 5. SEGMENT REPORTING (Continued)

The Group operates in two principal geographical areas in the People's Republic of China, Mainland China and Hong Kong, representing the location of both income from external customers and assets of the Group. Segment revenue and all assets of the Group in respect of Hong Kong business segment are attributable to operations in Hong Kong, while other segment revenue and assets of the Group are attributable to operations in Mainland China. No operating segments have been aggregated in arriving at the reportable segments of the Group. No single customer contributes more than 10% of the Group's income for the years ended 31 December 2017 and 2016.

The operating and reportable segment information provided to the CODM for the years ended 31 December 2017 and 2016 is as follows:

	Securities brokerage	Futures brokerage	Proprietary trading and other securities services	Investment banking	Asset management	Private equity and alternative investments	Hong Kong business	Reportable Segment total	Others	Eliminations	Consolidated total
For the year ended 31 December 2017											
<b>Segment revenue and results</b>											
Revenue and net investment gains											
– External	10,739,359	834,995	1,922,193	520,369	1,023,156	166,323	468,064	15,674,459	280,995	–	15,955,454
– Inter-segment	410,989	1,531	–	–	36,797	–	–	449,317	200,808	(650,125)	–
Other income and gains	21,866	13,177	94	616	60	1,639	4,222	41,674	(11,291)	–	30,383
Segment revenue and other income	11,172,214	849,703	1,922,287	520,985	1,060,013	167,962	472,286	16,165,450	470,512	(650,125)	15,985,837
Segment expenses	(6,671,636)	(539,174)	(2,315,873)	(292,416)	(776,382)	(65,145)	(335,708)	(10,996,334)	(630,096)	449,248	(11,177,182)
Segment result	4,500,578	310,529	(393,586)	228,569	283,631	102,817	136,578	5,169,116	(159,584)	(200,877)	4,808,655
Profit/(loss) before income tax	4,500,578	310,529	(393,586)	228,569	283,631	102,817	136,578	5,169,116	(159,584)	(200,877)	4,808,655
As at 31 December 2017											
<b>Segment assets and liabilities</b>											
Segment assets	137,329,069	16,560,226	56,373,411	960,988	20,258,373	3,018,147	9,208,348	243,708,562	155,745,356	(144,807,000)	254,646,918
Deferred tax assets											168,048
Group's total assets											254,814,966
Segment liabilities	136,902,073	14,718,487	58,980,057	826,820	18,963,201	396,956	6,048,975	236,836,569	97,724,679	(144,639,296)	189,921,952
Deferred tax liabilities											6,581
Group's total liabilities											189,928,533
<b>Other segment information</b>											
Depreciation and amortization	150,493	16,725	3,149	1,476	1,373	394	4,047	177,657	38,813	–	216,470
Impairment losses	35,763	–	637,625	(351)	2,473	–	7,906	683,416	(1,307)	–	682,109
Additions to non-current assets	107,539	9,885	–	–	962	300	12,199	130,885	106,077	–	236,962
Interest income from operations	6,181,884	431,445	240,950	1	89,209	13,767	203,283	7,160,539	183,480	–	7,344,019
Interest income from investments	–	–	825,968	–	259,548	20,151	–	1,105,667	–	–	1,105,667
Interest expenses	251,275	9,531	702,959	–	156,605	2	42,347	1,162,719	3,194,894	–	4,357,613



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 5. SEGMENT REPORTING (Continued)

	Securities brokerage	Futures brokerage	Proprietary trading and other securities services	Investment banking	Asset management	Private equity and alternative investments	Hong Kong business	Reportable Segment total	Others	Eliminations	Consolidated total
For the year ended 31 December 2016											
<b>Segment revenue and results</b>											
Revenue and net investment gains											
- External	12,141,763	742,370	2,574,029	1,091,960	880,731	151,398	416,902	17,999,153	311,066	-	18,310,209
- Inter-segment	310,402	2,108	-	-	31,582	-	-	344,092	-	(344,092)	-
Other income and gains	59,936	9,688	577	198	4,514	5,500	17,242	97,655	(4,750)	-	92,905
Segment revenue and other income	12,512,101	754,166	2,574,606	1,092,158	916,827	156,898	434,144	18,440,900	306,306	(344,092)	18,403,114
Segment expenses	(7,493,914)	(505,044)	(1,856,485)	(604,729)	(650,945)	(59,426)	(288,892)	(11,459,435)	(710,948)	343,900	(11,826,483)
Segment result	5,018,187	249,122	718,121	487,429	265,882	97,472	145,252	6,981,465	(404,642)	(192)	6,576,631
Profit/(loss) before income tax	5,018,187	249,122	718,121	487,429	265,882	97,472	145,252	6,981,465	(404,642)	(192)	6,576,631
As at 31 December 2016											
<b>Segment assets and liabilities</b>											
Segment assets	141,341,356	20,796,587	54,787,793	1,385,971	5,996,991	1,784,594	5,485,816	231,579,108	106,608,073	(92,546,291)	245,640,890
Deferred tax assets											239,630
Group's total assets											245,880,520
Segment liabilities	133,237,157	18,983,110	53,075,280	221,325	5,228,792	388,799	4,256,213	215,390,676	64,575,870	(92,439,925)	187,526,621
<b>Other segment information</b>											
Depreciation and amortization	133,893	18,869	2,405	1,539	838	159	2,832	160,535	41,004	-	201,539
Impairment losses	37,581	-	194,420	(5,873)	110	4,000	19,679	249,917	2,599	-	252,516
Additions to non-current assets	74,285	6,231	-	-	364	916	5,007	86,803	55,503	-	142,306
Interest income from operations	6,101,425	334,842	128,305	94,047	79,736	12,117	210,431	6,960,903	341,083	-	7,301,986
Interest income from investments	-	-	654,640	-	250,395	19,474	-	924,509	-	-	924,509
Interest expenses	337,210	10,262	654,778	-	211,084	-	31,162	1,244,496	3,595,775	-	4,840,271





## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 6. COMMISSION AND FEE INCOME

	Year ended 31 December	
	2017	2016
Commission on securities dealing and broking and handling fee income	4,611,251	5,994,403
Underwriting and sponsors' fees	489,959	930,610
Commission on futures and options contracts dealing and broking and handling fee income	369,484	381,069
Consultancy and financial advisory fee income	91,659	136,487
Asset management fee income	700,098	453,080
Others	92,623	91,557
	<b>6,355,074</b>	<b>7,987,206</b>

### 7. INTEREST INCOME

The following is the analysis excluding interest income from investments:

	Year ended 31 December	
	2017	2016
Deposits with exchanges and a non-bank financial institution and bank balances	1,989,759	2,539,256
Advances to customers and securities lending	4,196,795	4,379,970
Financial assets held under resale agreements	1,157,465	382,760
	<b>7,344,019</b>	<b>7,301,986</b>



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 8. NET INVESTMENT GAINS

	Year ended 31 December	
	2017	2016
Realized and unrealized gains/(losses) from		
– available-for-sale financial assets	366,565	883,109
– financial assets held for trading	449,583	374,653
– financial assets designated at fair value through profit or loss	(71,775)	30,350
– financial liabilities held for trading	(7,741)	–
– financial liabilities designated at fair value through profit or loss	29,904	(2,057)
– derivatives	81,777	513,969
Dividend income from		
– available-for-sale financial assets	302,381	296,484
Interest income from		
– available-for-sale financial assets	902,908	720,056
– investments classified as loan and receivables	159,552	204,453
– held-to-maturity investments	43,207	–
	<b>2,256,361</b>	3,021,017

### 9. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December	
	2017	2016
Government grants	9,024	30,106
Gain on disposals of property and equipment and other intangible assets	572	522
Foreign exchange losses	(10,095)	(5,468)
Others	30,882	67,745
	<b>30,383</b>	92,905

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



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

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### 10. DEPRECIATION AND AMORTIZATION

	Year ended 31 December	
	2017	2016
Depreciation for property and equipment	177,273	167,866
Amortization of other intangible assets	39,197	33,673
	<b>216,470</b>	201,539

### 11. STAFF COSTS

	Year ended 31 December	
	2017	2016
Salaries, bonus and allowances	3,080,003	3,054,048
Social welfare	616,502	598,586
Contributions to annuity schemes	132,750	405,955
Supplementary retirement benefits	16,559	104,940
Early retirement benefits	150	96
Others	254,574	263,558
	<b>4,100,538</b>	4,427,183

### 12. COMMISSION AND FEE EXPENSES

	Year ended 31 December	
	2017	2016
Securities and futures dealing and broking expenses	223,849	253,439
Underwriting and sponsors' fee expenses	13,016	12,494
Other service expenses	33,009	13,401
	<b>269,874</b>	279,334



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

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### 13. INTEREST EXPENSES

	Year ended 31 December	
	2017	2016
Presented below are interests on the following liabilities:		
– Bonds payable	2,477,135	2,389,751
– Financing instrument payables	668,274	432,463
– Due to banks and other financial institutions	71,070	60,954
– Accounts payable to brokerage clients	228,655	319,568
– Financial assets sold under repurchase agreements	762,870	1,429,823
– Third-party interests in consolidated structured entities	149,609	207,712
	<b>4,357,613</b>	4,840,271

### 14. OTHER OPERATING EXPENSES

	Year ended 31 December	
	2017	2016
Auditors' remuneration	4,782	4,410
General and administrative expenses	466,457	454,353
Business tax and other taxes	104,057	373,256
Minimum operating lease rentals in respect of rented premises	521,891	492,599
Data transmission expenses	161,622	170,936
Securities investor protection funds	47,137	93,770
Business travel expenses	87,485	89,183
Utilities expenses	38,126	39,250
Sundry expenses	119,021	107,883
	<b>1,550,578</b>	1,825,640

### 15. IMPAIRMENT LOSSES

	Year ended 31 December	
	2017	2016
Impairment/(reversals) of impairment of the following assets:		
– Financial assets held under resale agreements (Note 22)	18,225	55,392
– Available-for-sale financial assets	639,320	191,458
– Investments classified as loan and receivables (Note 25)	1,894	–
– Advances to customers (Note 29)	17,543	62
– Accounts receivable (Note 30)	3,277	(5,737)
– Other receivables (Note 31)	1,850	11,341
	<b>682,109</b>	252,516



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 16. INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
Current income tax		
PRC Enterprise Income Tax	738,972	1,134,573
Hong Kong Profits Tax	23,452	23,646
Under/(over) provision in prior years:		
PRC Enterprise Income Tax	37,999	(2,753)
Subtotal	800,423	1,155,466
Deferred income tax (Note 28)	(10,742)	235,758
	789,681	1,391,224

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	
	2017	2016
Profit before income tax	4,808,655	6,576,631
Tax at the statutory tax rate of 25%	1,202,164	1,644,158
Expenses not deductible for tax purposes	8,796	64,488
Income not taxable for tax purpose	(443,447)	(294,243)
Effect of different tax rates of subsidiaries	(12,081)	(12,792)
Utilization of tax losses previously not recognized	(3,750)	(7,634)
Under/(over) provision in respect of prior years	37,999	(2,753)
Income tax expense for the year	789,681	1,391,224



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### 17. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share for the year ended 31 December 2017 and 2016 is based on the profit attributable to the owners of the Company and the number of ordinary shares in issue during the periods.

	Year ended 31 December	
	2017	2016
Profit attributable to owners of the Company	<b>3,980,730</b>	5,153,546
Weighted average number of shares in issue (thousand)	<b>10,101,095</b>	9,537,259
Basic earnings per share (in RMB)	<b>0.39</b>	0.54

No diluted earnings per share has been presented for the year ended 31 December 2017 and 2016 as the Group had no potential ordinary shares in issue during both years.

### 18. DIVIDEND

Dividends for ordinary shareholders of the Company recognized as distribution during the year:

	As at 31 December	
	2017	2016
Dividend recognized as distribution	<b>1,571,275</b>	3,130,011

A dividend in respect of 2016 of RMB1.55 per 10 shares (inclusive of tax), or a total of RMB1,571.28 million, based on a total of 10,137,258,757 shares in issue, was approved at the Annual General Meeting on 22 June 2017.

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

Subsequent to the end of reporting period, a final dividend in respect of 31 December 2017 of RMB1.20 per 10 shares (inclusive of tax), or a total of RMB1,216.47 million, based on a total of 10,137,258,757 shares in issue, has been proposed by the directors of the Company and is subject to the approval of the shareholders in the forthcoming annual general meeting.



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### 19. PROPERTY AND EQUIPMENT

	Leasehold land and buildings	Electronic and communication equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
<b>COST</b>						
As at 1 January 2016	245,067	732,571	95,309	131,365	298,967	1,503,279
Additions	–	53,091	2,489	12,192	49,911	117,683
Disposals/written-off	–	(58,248)	(2,446)	(8,150)	(34,643)	(103,487)
As at 31 December 2016	245,067	727,414	95,352	135,407	314,235	1,517,475
<b>ACCUMULATED DEPRECIATION</b>						
As at 1 January 2016	120,339	560,716	80,994	101,982	188,741	1,052,772
Charge for the year	10,690	76,905	4,241	14,590	61,440	167,866
Disposals/written-off	–	(56,602)	(2,419)	(7,403)	(34,643)	(101,067)
As at 31 December 2016	131,029	581,019	82,816	109,169	215,538	1,119,571
<b>CARRYING VALUES</b>						
As at 31 December 2016	114,038	146,395	12,536	26,238	98,697	397,904
<b>COST</b>						
As at 1 January 2017	245,067	727,414	95,352	135,407	314,235	1,517,475
Additions	3,296	59,856	1,637	11,580	89,549	165,918
Disposals/written-off	–	(56,607)	(2,879)	(13,620)	(71,302)	(144,408)
As at 31 December 2017	248,363	730,663	94,110	133,367	332,482	1,538,985
<b>ACCUMULATED DEPRECIATION</b>						
As at 1 January 2017	131,029	581,019	82,816	109,169	215,538	1,119,571
Charge for the year	10,683	83,637	3,835	10,871	68,247	177,273
Disposals/written-off	–	(53,420)	(2,186)	(12,030)	(71,302)	(138,938)
As at 31 December 2017	141,712	611,236	84,465	108,010	212,483	1,157,906
<b>CARRYING VALUES</b>						
As at 31 December 2017	106,651	119,427	9,645	25,357	119,999	381,079



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### 20. GOODWILL

	As at 31 December	
	2017	2016
Cost and carrying value, at beginning and end of the year	<b>223,278</b>	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 (CGU) engages in securities brokerage business.

During the years ended 31 December 2017 and 2016, management of the Group determined that there was no impairment of the relevant CGU containing the goodwill and trading rights with indefinite useful lives (see Note 21) as the recoverable amounts of the CGU 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 based on a 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 12.31% (31 December 2016: 12.36%) as at 31 December 2017. 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 unit’ past performance and management’s expectations for the market development.

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





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### 21. OTHER INTANGIBLE ASSETS

	Trading rights	Computer software	Total
<b>COST</b>			
As at 1 January 2016	303,910	216,349	520,259
Additions	–	24,623	24,623
Disposals/written-off	–	(1,316)	(1,316)
As at 31 December 2016	303,910	239,656	543,566
<b>ACCUMULATED AMORTIZATION</b>			
As at 1 January 2016	–	156,900	156,900
Charge for the year	–	33,673	33,673
Disposals/written-off	–	(1,248)	(1,248)
As at 31 December 2016	–	189,325	189,325
<b>CARRYING VALUES</b>			
As at 31 December 2016	303,910	50,331	354,241
<b>COST</b>			
As at 1 January 2017	<b>303,910</b>	<b>239,656</b>	<b>543,566</b>
Additions	–	<b>71,044</b>	<b>71,044</b>
Disposals/written-off	–	<b>(1,346)</b>	<b>(1,346)</b>
As at 31 December 2017	<b>303,910</b>	<b>309,354</b>	<b>613,264</b>
<b>ACCUMULATED AMORTIZATION</b>			
As at 1 January 2017	–	<b>189,325</b>	<b>189,325</b>
Charge for the year	–	<b>39,197</b>	<b>39,197</b>
Disposals/written-off	–	<b>(1,054)</b>	<b>(1,054)</b>
As at 31 December 2017	–	<b>227,468</b>	<b>227,468</b>
<b>CARRYING VALUES</b>			
As at 31 December 2017	<b>303,910</b>	<b>81,886</b>	<b>385,796</b>

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

#### Impairment testing on trading rights with indefinite useful lives

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortized until their useful life is determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The trading rights are assessed for impairment individually or attached to the relevant CGUs.

The respective recoverable amounts of these trading rights or CGUs where the trading rights are allocated to, using a value in use calculation, exceed their carrying amounts. Accordingly, there were no impairment of the trading rights as at 31 December 2017 and 2016.



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### 22. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December	
	2017	2016
<b>Non-current</b>		
Analyzed by collateral type:		
Stocks	23,974,206	7,024,199
Less: Impairment	(58,181)	(35,121)
	<b>23,916,025</b>	6,989,078
Analyzed by market of collateral:		
Stock exchanges	<b>23,916,025</b>	6,989,078

	As at 31 December	
	2017	2016
<b>Current</b>		
Analyzed by collateral type:		
Stocks	12,346,091	5,717,300
Bonds	1,962,213	317,530
Funds	53,748	9,073
Less: Impairment	(21,946)	(26,781)
	<b>14,340,106</b>	6,017,122
Analyzed by market of collateral:		
Stock exchanges	<b>14,340,106</b>	6,017,122

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

	As at 31 December	
	2017	2016
At beginning of the year	61,902	6,510
Impairment losses recognized (Note 15)	18,225	55,392
At end of the year	<b>80,127</b>	61,902

As at 31 December 2017, the fair values of collateral received by the Group were approximate to RMB126,708 million (31 December 2016: RMB29,910 million).



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### 23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 31 December 2017				
	Cost	Fair value changes	Impairment	Carrying amount
<b>Non-current</b>				
Measured at fair value:				
Debt securities	1,029,810	(10,143)	–	1,019,667
Funds	4,141,566	(362,820)	–	3,778,746
Other investments <sup>(1)</sup>	9,347,495	772,258	–	10,119,753
Measured at cost:				
Private equity securities <sup>(2)</sup>	415,700	–	(147,500)	268,200
	<b>14,934,571</b>	<b>399,295</b>	<b>(147,500)</b>	<b>15,186,366</b>
<b>Current</b>				
Measured at fair value:				
Debt securities	15,384,420	(252,661)	–	15,131,759
Equity securities	4,055,743	(381,375)	(649,152)	3,025,216
Other investments <sup>(1)</sup>	708,248	9,423	(171)	717,500
	<b>20,148,411</b>	<b>(624,613)</b>	<b>(649,323)</b>	<b>18,874,475</b>
As at 31 December 2016				
	Cost	Fair value changes	Impairment	Carrying amount
<b>Non-current</b>				
Measured at fair value:				
Debt securities	999,891	19,820	–	1,019,711
Funds	5,017,333	(78,049)	–	4,939,284
Other investments <sup>(1)</sup>	12,134,065	(608,885)	(13,684)	11,511,496
Measured at cost:				
Private equity securities <sup>(2)</sup>	373,700	–	(162,500)	211,200
	<b>18,524,989</b>	<b>(667,114)</b>	<b>(176,184)</b>	<b>17,681,691</b>
<b>Current</b>				
Measured at fair value:				
Debt securities	13,390,661	197,619	–	13,588,280
Equity securities	5,190,367	(114,681)	(191,824)	4,883,862
Other investments <sup>(1)</sup>	367,070	3,236	–	370,306
	<b>18,948,098</b>	<b>86,174</b>	<b>(191,824)</b>	<b>18,842,448</b>



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

- (1) Included in the balance represents an investment in a designated account managed by China Securities Finance Corporation Limited (the “CSFCL”). Pursuant to the agreements the Company entered into with the CSFCL, the company contributed RMB10,500 million to the special account managed by the CSFCL in 2015. The company is entitled to the profit or loss derived from the designated account in proportion to the funding portion contributed. The Company determined the total fair value of the investment according to investment statements provided by the CSFCL, and the fair value is RMB8,655 million as at 31 December 2017(31 December 2016: RMB9,855 million).

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

- (2) Movement of impairment against private equity investments

	Year ended 31 December	
	2017	2016
Beginning of the year	162,500	187,500
Disposed and transferred out	(15,000)	(25,000)
End of year	147,500	162,500

A gain of RMB31 million (2016: RMB37 million) was recognized during the year for the disposals of these private equity securities with carrying value of RMB25 million (2016: RMB68 million). As the reasonable range of fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably. The values of these securities are measured at cost less impairment at the end of each reporting period.

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

### 24. HELD-TO-MATURITY INVESTMENTS

Non-current	As at 31 December	
	2017	2016
Debt securities	1,419,541	–

Current	As at 31 December	
	2017	2016
Debt securities	2,125,632	–

As at December 2017, the interest rates on these securities are between 3.85%-5.50% per annum.



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### 25. INVESTMENTS CLASSIFIED AS LOAN AND RECEIVABLES

	As at 31 December	
	2017	2016
<b>Non-current</b>		
Trust schemes (i)	2,736,282	3,069,402
Less: Impairment	–	–
	<b>2,736,282</b>	3,069,402
	As at 31 December	
	2017	2016
<b>Current</b>		
Unsecured loans (ii)	2,249,759	573,710
Less: Impairment	(1,894)	–
	<b>2,247,865</b>	573,710

(i) As at 31 December 2017, the Group invested in non-current trust schemes which were issued and managed by a non-bank financial institution. Underlying assets of these trust schemes are asset-backed securities issued by a bank. The schemes bear effective interest at 5.93%-16.79% (31 December 2016: 6.00%-14.00%) per annum.

(ii) As at 31 December 2017, these unsecured loans bear effective interests at 4.35%-6.50% (31 December 2016: 4.35%-8.00%) per annum and are repayable within one year.

(iii) Movement of impairment against unsecured loans

	Year ended 31 December	
	2017	2016
At beginning of the year	–	–
Impairment losses recognized (Note 15)	1,894	–
At end of the year	<b>1,894</b>	–



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### 26. DEPOSITS WITH EXCHANGES AND A NON-BANK FINANCIAL INSTITUTION

	As at 31 December	
	2017	2016
<b>Non-current</b>		
Deposits with stock exchanges	453,443	397,920
Deposits with futures and commodity exchanges	25,123	25,508
Guarantee fund paid to Shenzhen Stock Exchange	5,780	5,780
Others	492	188
	<b>484,838</b>	429,396
	As at 31 December	
	2017	2016
<b>Current</b>		
Deposits with futures and commodity exchanges	5,277,048	6,606,451
CSFCL	74,664	34,208
	<b>5,351,712</b>	6,640,659

### 27. BANK DEPOSITS AND BANK BALANCES

	As at 31 December	
	2017	2016
<b>Non-current</b>		
House accounts	–	900,000
	As at 31 December	
	2017	2016
<b>Current</b>		
House accounts	8,964,433	6,948,846
Cash held on behalf of customers	50,777,266	61,215,188
	<b>59,741,699</b>	68,164,034

Bank balances comprise time and demand deposits at bank which bear interest at the prevailing market rates. The non-current bank balances as at December 2016 were bank deposits with remaining maturity of more than one year.

The Group maintains accounts with banks to hold customers' deposits arising from normal business transactions. The corresponding liabilities are recorded as accounts payable to brokerage clients (Note 43).



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### 28. DEFERRED TAXATION

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

	As at 31 December	
	2017	2016
Deferred tax assets	168,048	239,630
Deferred tax liabilities	6,581	–
	161,467	239,630

	As at 31 December	
	2017	2016
Net deferred income tax assets, at beginning of year	239,630	131,017
Credited/(charged) in profit or loss (Note 16)	10,742	(235,758)
Recognized in other comprehensive income	(88,905)	344,371
Net deferred income tax assets, at end of year	161,467	239,630

The following are the major deferred tax liabilities and assets recognized and movements thereon during the current and prior years 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	Others	Total
At 1 January 2016	(152,154)	(199,136)	241,628	45,514	626,846	18,442	81,683	(520,528)	(11,278)	131,017
(Charge)/credit to profit or loss	319,278	–	18,934	45,309	(196,692)	312	(76,983)	(352,188)	6,272	(235,758)
Credit to other comprehensive income	–	344,371	–	–	–	–	–	–	–	344,371
At 31 December 2016	167,124	145,235	260,562	90,823	430,154	18,754	4,700	(872,716)	(5,006)	239,630
(Charge)/credit to profit or loss	44,176	–	(144,366)	118,574	(9,940)	(1,017)	(4,930)	(3,454)	11,699	10,742
Charge to other comprehensive income	–	(88,905)	–	–	–	–	–	–	–	(88,905)
At 31 December 2017	211,300	56,330	116,196	209,397	420,214	17,737	(230)	(876,170)	6,693	161,467

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 taxation authority, and of the same taxable entity.

At the end of the reporting period, the Group has unrecognized deductible temporary differences of approximately RMB148 million (31 December 2016: RMB163 million) as at 31 December 2017, as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.



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### 29. ADVANCES TO CUSTOMERS

	As at 31 December	
	2017	2016
Loans to margin clients	59,473,426	54,821,652
Other loans and advances	690,963	738,064
Less: Impairment	(100,658)	(83,115)
	<b>60,063,731</b>	55,476,601

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

In addition to the cash collaterals as disclosed in Note 43, the Group also receive securities collaterals with fair value of RMB177,186 million (31 December 2016: RMB171,312 million) from brokerage clients for margin financing or securities lending arrangements. These securities collaterals were not recognized in the Group's consolidated financial statements. As at 31 December 2017 and 2016, the fair values of cash and securities collaterals held by the Group for majority of the margin clients are higher than the carrying amounts of each individually.

Based on the agreement terms with margin clients in Hong Kong, the Group is able to repledge clients' securities for margin financing arrangements with qualified financial institutions. The fair values of these listed securities at 31 December 2017 was RMB10,622 million (31 December 2016: RMB9,300 million) and the corresponding balances advanced to clients amounted to RMB2,480 million (31 December 2016: RMB1,959 million).

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value to the users of these consolidated financial statements in view of the nature of business of securities margin financing.

The Group determines the allowance for impaired advance to customers based on the evaluation of collectability and on management's judgment including the assessment of change in credit quality and collateral.

- (2) The movements in the allowance for impairment are set out below:

	As at 31 December	
	2017	2016
At beginning of the year	83,115	83,053
Impairment losses recognized (Note 15)	17,543	62
At end of the year	<b>100,658</b>	83,115

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





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### 30. ACCOUNTS RECEIVABLE

	As at 31 December	
	2017	2016
Accounts receivable of:		
Client securities settlement	58,963	112,230
Brokers and dealers	119,421	57,907
Clearing house (Note 55)	298,733	69,946
Underwriting and sponsors fee	186,480	208,655
Trading rights rental commission	73,930	144,361
Asset management and funds distribution handling fees	249,291	145,935
Others	32,528	49,120
Subtotal	1,019,346	788,154
Less: Impairment	(16,504)	(13,503)
Total	1,002,842	774,651

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

	As at 31 December	
	2017	2016
Within 1 year	846,326	597,057
Between 1 and 2 years	6,899	175,989
Between 2 and 3 years	148,614	1,605
Over 3 years	1,003	–
	1,002,842	774,651

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

	As at 31 December	
	2017	2016
At beginning of the year	13,503	19,240
Impairment losses recognized (Note 15)	3,277	(5,737)
Amounts written off	(276)	–
At end of the year	16,504	13,503

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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### 31. OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2017	2016
Prepaid taxes	4,162	4,374
Interests receivable	3,653,101	3,353,381
Prepaid expenses	132,209	128,399
Others	255,540	241,532
Subtotal	4,045,012	3,727,686
Less: Impairment	(16,662)	(18,940)
Total	4,028,350	3,708,746

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

	As at 31 December	
	2017	2016
At beginning of the year	18,940	12,693
Impairment losses recognized (Note 15)	1,850	11,341
Amounts written off	(4,128)	(5,094)
At end of the year	16,662	18,940

### 32. FINANCIAL ASSETS HELD FOR TRADING

	As at 31 December	
	2017	2016
Debt securities	15,773,451	19,597,108
Equity securities	3,449,700	1,678,812
Funds	4,026,553	5,841,851
Total	23,249,704	27,117,771



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### 33. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2017	2016
Convertible bonds	273,604	266,196
Equity securities	3,215,225	653,592
Funds	498,858	–
Structured deposits and wealth management products	628,543	717,056
Other investments	1,144,362	608,703
<b>Total</b>	<b>5,760,592</b>	<b>2,245,547</b>

### 34. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December					
	2017			2016		
	Nominal amounts	Asset	Liability	Nominal amounts	Asset	Liability
Equity Return Swap	146,395	7,645	1,095	290,325	7,548	37,226
Options	1,051,060	15,291	134,055	103,696	929	776
Stock index futures	3,242,325	30,024	23,512	195,581	2,980	73
Less: settlement		(30,024)	(23,512)		(2,980)	(73)
Treasury bond futures	1,712,025	3,171	4,378	746,954	9,203	1,319
Less: settlement		(3,171)	(4,378)		(9,203)	(1,319)
Commodity Futures	120,885	114	2,027	70,642	535	3,382
Less: settlement		(114)	(2,027)		(535)	(3,382)
Interest Swap	1,070,000	1,025	844	20,000	–	–
Less: settlement		(1,025)	(844)		–	–
<b>Total</b>	<b>7,342,690</b>	<b>22,936</b>	<b>135,150</b>	<b>1,427,198</b>	<b>8,477</b>	<b>38,002</b>

- (1) The Group uses derivatives primarily for economically hedging its positions in investments. In certain cases, the Group also entered into contracts on derivatives for proprietary trading.
- (2) Under the daily mark-to-market and settlement arrangements, any gains or losses of the Group's position in stock index futures, treasury bond futures, commodity futures and interest rate swap were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the net position of the stock index futures, treasury bond futures, commodity futures and interest rate swap was nil at the end of each reporting period.



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### 35. CLEARING SETTLEMENT FUNDS

	As at 31 December	
	2017	2016
Clearing settlement funds held with clearing houses for:		
– House accounts	1,034,706	1,997,863
– Clients accounts	11,503,786	23,365,572
	<b>12,538,492</b>	25,363,435

These clearing settlement funds are held by the clearing houses for the Group and these balances carry interest at prevailing market interest rates.

### 36. SHARE CAPITAL

The Company's number of shares and nominal value are as follows:

	As at 31 December	
	2017	2016
Issued and fully paid ordinary shares of RMB1 each (in thousands)		
Domestic shares	6,446,274	5,846,274
H shares	3,690,985	3,690,985
	<b>10,137,259</b>	9,537,259
Share capital (in RMB'000)		
Domestic shares	6,446,274	5,846,274
H shares	3,690,985	3,690,985
	<b>10,137,259</b>	9,537,259

(1) On 23 January 2017, the Company completed its A Share offering of 600 million shares with nominal value of RMB1 per share at a price of RMB6.81 per share.

(2) The movements in share capital are set out below

	Number of shares		Share capital	
	31/12/2017 '000	31/12/2016 '000	31/12/2017 '000	31/12/2016 '000
Ordinary shares of RMB10,137,259				
Authorized and issued				
At beginning of year	9,537,259	9,537,259	9,537,259	9,537,259
Increase during the year	600,000	–	600,000	–
At end of year	<b>10,137,259</b>	9,537,259	<b>10,137,259</b>	9,537,259



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### 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 Mainland China.

#### (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 business 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, the reserve for general risk and the transaction risk reserve.

Out of the Group's retained profits, an amount of RMB135 million (31 December 2016: RMB97 million) as at 31 December 2017 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 2017 and 2016, bonds payable comprised of subordinated bonds and corporate bonds.

Details of the bonds issued by the Group are as follows:

#### Non-current

Issue date	Maturity date	Coupon rate	As at	As at
			31 December 2017 Carrying amount	31 December 2016 Carrying amount
4 February 2015	4 February 2018	4.65%	–	1,491,875
4 February 2015	4 February 2020	4.80%	993,750	990,750
24 April 2015	24 April 2018	5.60%	–	5,800,000
15 March 2016	14 March 2021	4.30%	299,300	298,700
1 June 2016	1 June 2019	3.10%	4,881,489	4,868,422
1 June 2016	1 June 2021	3.35%	596,720	595,760
23 August 2016	23 August 2019	2.89%	1,488,125	1,480,625
23 August 2016	23 August 2021	3.14%	989,250	986,250
19 September 2016	19 September 2019	3.18%	3,500,000	3,500,000
24 October 2016	24 October 2018	3.15%	–	4,000,000
27 February 2017	27 February 2019	4.65%	2,495,625	–
23 March 2017	23 March 2019	4.98%	1,756,530	–
23 March 2017	23 September 2019	4.98%	2,495,497	–
28 April 2017	28 April 2019	4.95%	4,621,810	–
28 April 2017	28 April 2020	4.99%	4,709,429	–
10 July 2017	10 July 2020	4.55%	4,971,698	–
18 September 2017	18 September 2020	4.69%	3,974,843	–
20 October 2017	20 October 2019	5.03%	3,983,491	–
6 December 2017	6 December 2019	5.53%	3,981,918	–
			45,739,475	24,012,382

#### Current

Issue date	Maturity date	Coupon rate	As at	As at
			31 December 2017 Carrying amount	31 December 2016 Carrying amount
30 January 2015	30 January 2017	5.80%	–	1,200,000
30 January 2015	30 January 2017	5.90%	–	2,800,000
04 February 2015	04 February 2018	4.65%	1,499,375	–
10 April 2015	10 April 2017	5.80%	–	4,300,000
24 April 2015	24 April 2018	5.60%	5,800,000	–
08 May 2015	8 May 2017	5.70%	–	11,000,000
24 October 2016	24 October 2018	3.15%	4,000,000	–
23 November 2016	20 August 2017	3.50%	–	3,000,000
29 August 2017	29 May 2018	4.79%	1,925,953	–
29 August 2017	29 August 2018	4.79%	1,796,718	–
20 October 2017	20 July 2018	4.77%	992,752	–
			16,014,798	22,300,000

All of these bonds are denominated in RMB.

For the bonds issued on 15 March 2016, the Group has an option to extend the term of the bonds for another two years but then there will be a 300 basis point upward adjustment to the interest rates. Other than this, there are no early redemption or extension options embedded in these bonds.



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### 39. FINANCING INSTRUMENT PAYABLES

Financing instrument payables is a special type of financing allowed by CSRC.

As at 31 December 2017, for financing instrument payables issued by the Company, their coupon rates are from 4.10% to 5.60% (31 December 2016: 3.70% to 5.45%). Their principals and interests are not associated with any particular securities.

### 40. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2017	2016
<b>Non-current</b>		
Third-party interests in consolidated structured entities	3,068,041	2,740,456
Interests payable	88,930	240,547
	<b>3,156,971</b>	<b>2,981,003</b>
	As at 31 December	
	2017	2016
<b>Current</b>		
Third-party interests in consolidated structured entities	305,412	1,664,530
Interests payable	1,604,394	1,491,163
Customer deposits held for swap transactions	1,134,205	273,196
Payables to margin client (Note 55)	1,009,228	706,304
Payables to clearing house (Note 55)	60,478	113,175
VAT and other taxes	323,989	166,506
Accrued expenses	92,654	109,832
Sundry payables	114,056	42,387
Payable for the securities and futures investor protection fund	44,696	64,652
Dividends payable	27,171	–
Others	429,297	556,258
	<b>5,145,580</b>	<b>5,188,003</b>



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### 41. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

#### Non-current

	As at 31 December	
	2017	2016
Financial instruments payable linked to stock index	18,054	–
Deposits from clients participating in equity swap	7,316	–
	<b>25,370</b>	–

#### Current

	As at 31 December	
	2017	2016
Financial instruments payable linked to stock index	238,407	363,579
Deposits from clients participating in equity swap	4,714	349,923
	<b>243,121</b>	713,502

Financial instruments linked to stock index are financing instruments issued by the Group and its returns to holders are linked to performance of stock index.

Deposits from clients participating in equity swaps are payable to the clients at maturity of the corresponding derivatives and its balance is linked to performance of the corresponding equity swaps.

### 42. DUE TO BANKS AND OTHER FINANCIAL INSTITUTION

	As at 31 December	
	2017	2016
Secured short-term bank loans <sup>(1)</sup>	990,541	679,820
Unsecured short-term bank loans <sup>(2)</sup>	2,059,790	1,105,602
	<b>3,050,331</b>	1,785,422

(1) The short-term bank loans borrowed by the Group are secured by shares listed in Hong Kong pledged to the Group as a security for advances to customers (with customers' consent) with a fair value of approximately RMB2,202 million (31 December 2016: RMB2,272 million). These short-term bank loans bear interest at Hibor+125 to 155basis point (31 December 2016: Hibor+145 to 155 basis point) per annum and are repayable within 1 month(31 December 2016: within 7 days).

(2) As at 31 December 2017, the unsecured short-term bank loans bear interest at 1.90%-2.50% (31 December 2016: 1.55%-2.00%) per annum and are repayable within 1 month (31 December 2016: within 2 months).





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### 43. 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 2017, included in the Group's accounts payable to brokerage clients were approximately RMB5,799 million (31 December 2016: RMB7,703 million) received from clients for margin financing and securities lending arrangements.

### 44. ACCRUED STAFF COSTS

	As at 31 December	
	2017	2016
Salaries, bonus and allowances	2,913,795	3,558,906
Social welfare	10,906	10,198
Annuity schemes	13,769	36,628
Supplementary retirement benefits (Note)	308,056	295,645
Early retirement benefits	3,966	12,156
Others	139,105	123,281
	<b>3,389,597</b>	4,036,814

Note: Supplementary retirement benefits

Supplementary retirement benefits contains two parts: 1) pensions and medical benefits to qualified employees in Mainland China who retired on or before 31 December 2014 and still are alive at the end of the reporting period; 2) during the year ended 31 December 2017, additional supplementary benefits including heating and cooling expenses reimbursements to certain existing employees after their retirements were introduced to those employees by the Group. Accordingly, the increase in the present value of the supplementary retirement benefits for employee service in prior periods and current period were recognized as past service costs and current service costs respectively during the year ended 31 December 2017.

The present value of these supplementary retirement benefits, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The calculation of present value of supplementary retirement benefits at 31 December 2017 and 2016 were carried out by Ernst & Young (China) Advisory Ltd and Mercer Consulting (China) Ltd., respectively.



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### 44. ACCRUED STAFF COSTS (Continued)

Note: Supplementary retirement benefits (Continued)

Movements in the present value of supplementary retirement benefits are as follows:

	Year ended 31 December	
	2017	2016
Beginning of the year	295,645	209,082
Amounts charged to profit or loss:		
Current service costs	5,431	5,375
Past service costs	969	92,624
Interests on obligation	10,159	6,941
Benefits paid	(10,796)	(9,867)
Amount credited/(charged) to OCI:		
Actuarial losses/(gains) arising from assumption changes	3,590	(2,854)
Actuarial losses/(gains) from experience adjustments	3,058	(5,656)
End of the year	308,056	295,645

Net interest on the net defined benefit plan liability was included in staff costs.

The plans typically expose the Group to interest rate risk and longevity risk.

- Interest rate risk: a decrease in the bond interest rate will increase the plan liability.
- Longevity risk: the present value of the defined benefit plan liability is calculated by reference to the best estimate of China Life Insurance Pension life table (CLA2010-2013). An increase in the life expectancy of the plan participants will increase the plan's liability.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Valuation at	
	31 December 2017 %	31 December 2016 %
Discount rates of supplementary retirement benefits	4.25	3.50
Expected rates of benefits increase	4.00	4.00
Mortality rates	According to the China Life Insurance Mortality Table (published historical statistics in China)	

Discount rates are set to be the government bond yields with similar maturities and vary for different types of benefits. As at 31 December 2017, the durations of these supplementary retirement benefits are 18.0 (31 December 2016: 15.5).

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate and benefit growth rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Effect on the pension	Change in assumptions	Benefit obligation	
		2017	2016
Discount rate	-50bp	24,219	23,541
Discount rate	+50bp	(21,603)	(21,000)
Benefit growth rate	-50bp	(14,923)	(13,437)
Benefit growth rate	+50bp	25,150	23,669



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### 45. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Current	As at 31 December	
	2017	2016
Analyzed by collateral type:		
Bonds	13,260,155	17,524,765
Rights and interests in margin loans	4,150,000	2,969,000
Financial assets held under resale agreement	–	1,330,989
Funds	1,306,069	2,669,899
	<b>18,716,224</b>	24,494,653
Analyzed by market of collateral:		
Stock exchanges	13,561,724	16,237,094
Interbank bond market	1,004,500	3,957,570
Over the counter	4,150,000	4,299,989
	<b>18,716,224</b>	24,494,653

Financial assets sold under repurchase agreements bear effective interest at 3.63%-5.30% (31 December 2016: 2.40%-7.20%) per annum.

### 46. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	As at 31 December	
	2017	2016
Bank balances – house accounts	7,991,688	6,013,208
Clearing settlement funds – house accounts	1,034,706	1,997,863
	<b>9,026,394</b>	8,011,071

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 2017, bank deposits with original maturity of more than three months held by the Group were RMB973 million (31 December 2016: RMB1,836 million).



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### 47. INTERESTS IN STRUCTURED ENTITIES

#### (a) Structured entities set up and managed by the Group

Structured entities consolidated by the Group include the collective asset management schemes, funds and other investments where the Group involves as investment manager or investment consultant and also as investor. These special vehicles issue units to investors, including the Group, to finance its operations, which are primarily investments in various debt and equity instruments.

The Group has committed to holding investments of RMB104 million (31 December 2016: RMB105 million) in collective asset management schemes managed by the Group till the end of the investment period. These investments are usually the most junior tranches in these schemes and will be utilized to absorb losses of more senior tranches. As at 31 December 2017 and 2016, the contributions from the Group to those collective asset management schemes equalled the committed investments and the Group's maximum losses are limited to the carrying amounts of these investments.

As at 31 December 2017, the total assets of the consolidated structured entities are RMB14,968 million (31 December 2016: RMB6,306 million) and the carrying amount of third party interests in the consolidated structured entities are RMB3,373 million (31 December 2016: RMB4,405 million), and these interests are presented in Note 40.

The Group also has interests in unconsolidated collective asset management schemes which the remuneration of the Group is commensurate with the services provided and the variable returns the Group exposed are not considered significant. The Group therefore considers such decision-making rights is acting as an agent for the investors and hence did not consolidate these structured entities.

The size of unconsolidated structured entities managed by the Group amounted to RMB329,407 million as at 31 December 2017 (31 December 2016: RMB246,721 million). The Group's interests are equal to the maximum exposure to loss of interests held by the Group in these unconsolidated structured entities, which are amounted to RMB539 million as at 31 December 2017 (31 December 2016: RMB948 million).

During the year, the amount of management fee income and investment gains from the unconsolidated asset management schemes managed by the Group amounted to RMB743 million (31 December 2016: RMB730 million).



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### 47. INTERESTS IN STRUCTURED ENTITIES (Continued)

#### (b) Structured entities set up and managed by third party institutions in which the Group holds an interest

The types of structured entities that the Group does not consolidate but in which it holds an interest include funds, asset management schemes, trust schemes, asset-backed securities and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the consolidated statement of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities as at 31 December 2017 and 31 December 2016, which are listed as below:

As at 31 December 2017					
	Available for-sale financial assets	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Investments classified as loan and receivables	Total
Carrying amount of interests held by the Group					
– Funds	3,778,746	4,026,553	498,858	–	8,304,157
– Trust schemes, structured deposits and wealth management products	1,713,040	–	6,543	2,736,282	4,455,865
– Asset management schemes	195,870	–	342,708	–	538,578
– Others	273,754	–	801,654	–	1,075,408
<b>Total</b>	<b>5,961,410</b>	<b>4,026,553</b>	<b>1,649,763</b>	<b>2,736,282</b>	<b>14,374,008</b>
As at 31 December 2016					
	Available for-sale financial assets	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Investments classified as loan and receivables	Total
Carrying amount of interests held by the Group					
– Funds	4,939,284	5,841,851	–	–	10,781,135
– Trust schemes, structured deposits and wealth management products	1,687,165	–	717,056	3,069,402	5,473,623
– Asset management schemes	339,680	–	608,703	–	948,383
<b>Total</b>	<b>6,966,129</b>	<b>5,841,851</b>	<b>1,325,759</b>	<b>3,069,402</b>	<b>17,203,141</b>



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### 48. TRANSFERS OF FINANCIAL ASSETS

In the normal course of business, the Group enters into certain transactions in which they transfer recognized financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognizes all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards on these assets, the Group continues to recognize these assets.

#### Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security or rights and interests in a margin loan and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities and rights and interests in margin loans transferred. These securities and margin loans are not derecognized from the consolidated financial statements but regarded as “collateral” for the liabilities because the Group retain substantially all the risks and rewards of these securities and rights and interests in margin loans.

The proceeds from selling such securities are presented as financial assets sold under repurchase agreements, as disclosed in Note 45. Since the Group transfers contractual rights to the cash flows of the securities, it does not have the ability to sell or repledge these transferred securities during the term of these arrangements.

The following tables provide a summary of carrying amounts and fair values related to the transferred financial assets that are not derecognized in their entirety and the associated liabilities:

As at 31 December 2017	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Available-for-sale financial assets	Advances to customers	Financial assets held under resale agreements	Total
Carrying amount of transferred assets	9,468,724	9,718	6,264,794	4,396,482	-	20,139,718
Carrying amount of associated liabilities	(8,761,674)	(8,990)	(5,795,560)	(4,150,000)	-	(18,716,224)
Net position	707,050	728	469,234	246,482	-	1,423,494

As at 31 December 2016	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Available-for-sale financial assets	Advances to customers	Financial assets held under resale agreements	Total
Carrying amount of transferred assets	11,491,255	135,422	13,748,457	3,236,857	1,330,989	29,942,980
Carrying amount of associated liabilities	(8,844,057)	(102,897)	(11,247,710)	(3,000,000)	(1,299,989)	(24,494,653)
Net position	2,647,198	32,525	2,500,747	236,857	31,000	5,448,327

#### Securities lending arrangement

The Group entered into securities lending agreements with clients. As at 31 December 2017, it lent out its own equity securities and ETF classified as financial assets designated at fair value through profit or loss of RMB68 million (31 December 2016: Nil). As stipulated in the securities lending agreements, the legal ownership of these equity securities and ETF has transferred to the clients. Although the clients could sell these securities during the term of lending, they have obligations to return these securities to the Group at specified future dates and within a maximum period is 180 days. The Group has determined that it retains substantially all the risks and rewards of ownership of these securities and therefore has not derecognized these securities in the consolidated financial statements.



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### 49. OPERATING LEASE COMMITMENTS

#### The Group as lessee

At 31 December 2017 and 2016, the Group had commitments for total future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

	<b>As at 31 December</b>	
	<b>2017</b>	2016
Within 1 year	<b>457,136</b>	455,280
Beyond 1 year and not more than 5 years	<b>637,447</b>	637,101
More than 5 years	<b>67,112</b>	206,934
	<b>1,161,695</b>	1,299,315

Lease of rented premises are negotiated with fixed lease term for 1 year to 13 years (31 December 2016: 1 year to 14 years).

#### The Group as lessor

At 31 December 2017 and 2016, the Group did not have material lease commitments as lessor.

### 50. CAPITAL COMMITMENTS

	<b>As at 31 December</b>	
	<b>2017</b>	2016
Contracted but not provided for Leasehold improvements	<b>7,255</b>	15,512



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### 51. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

#### For the year ended 31 December 2017

Name	Fee	Salaries and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive Directors:					
Chen Gongyan	–	1,663	109	1,350	3,122
Gu Weiguo	–	1,658	109	1,215	2,982
Wu Chengming	–	1,676	109	1,162	2,947
Non-executive Directors:					
Du Ping (1)	–	–	–	–	–
Li Chaoyang	–	661	1,222	1,397	3,280
Shi Xun (1)	–	–	–	–	–
Zhang Jinghua (1) (2)	–	–	–	–	–
Independent Non-executive Directors:					
Chi Fulin (3)	180	–	–	–	180
Liu Ruizhong (4)	60	–	–	–	60
Liu Feng (5)	290	–	–	–	290
Luo Lin	260	–	–	–	260
Wu Yuwu	240	–	–	–	240
Supervisors:					
Chen Jing (6)	–	1,656	109	1,188	2,953
Chen Jijiang	–	712	92	1,397	2,201
Liu Zhiyi	–	747	94	1,397	2,238
Tao Libin	120	–	–	–	120
Zhong Cheng	–	677	71	1,397	2,145
	<b>1,150</b>	<b>9,450</b>	<b>1,915</b>	<b>10,503</b>	<b>23,018</b>

(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 and Central Huijin Investment Ltd. ("Central Huijin"). No allocation of the emoluments among these related parties and the Group has been made.

(2) Resigned as a non-executive director on 9 February 2018.

(3) Resigned as an independent non-executive director on 29 September 2017.

(4) Appointed as an independent non-executive director on 29 September 2017.

(5) Resigned as an independent non-executive director on 9 February 2018.

(6) Appointed as a supervisor on 3 March 2017.





## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 51. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

**For the year ended 31 December 2016 (Restated)**

Name	Fee	Salaries and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive Directors:					
Chen Gongyan (1)	–	558	32	634	1,224
Chen Youan (2)	–	1,224	33	529	1,786
Gu Weiguo	–	1,633	75	1,428	3,136
Wu Chengming	–	1,686	73	1,966	3,725
Non-executive Directors:					
Du Ping (3)	–	–	–	–	–
Li Chaoyang	–	626	1,038	4,128	5,792
Shi Xun (3)	–	–	–	–	–
Zhang Jinghua (3)	–	–	–	–	–
Independent Non-executive Directors:					
Chi Fulin	240	–	–	–	240
Liu Feng	290	–	–	–	290
Luo Lin	260	–	–	–	260
Wu Yuwu	240	–	–	–	240
Supervisors:					
Chen Jijiang	–	686	87	1,682	2,455
Feng Heping (4)	95	–	–	–	95
Liu Zhiyi	–	719	87	1,766	2,572
Tao Libin (5)	25	–	–	–	25
Yu Wenxiu (6)	–	1,223	46	1,047	2,316
Zhong Cheng	–	668	68	1,684	2,420
	1,150	9,023	1,539	14,864	26,576

(1) Appointed as an executive director on 18 October 2016.

(2) Resigned as an executive director on 25 April 2016.

(3) The emoluments of these non-executive directors of the Company were borne or partially borne by its shareholders and other related parties including Galaxy Financial Holdings and Central Huijin. No allocation of the emoluments among these related parties and the Group has been made.

(4) Resigned as a supervisor on 18 October 2016.

(5) Appointed as a supervisor on 18 October 2016.

(6) Resigned as a supervisor on 13 October 2016.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

The supervisors' emoluments shown above were mainly for their services as supervisors of the Company.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 51. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

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.

As of the date of these issuance of consolidated financial statements, the above compensation packages including performance-based bonus for executive directors, non-executive directors and supervisors for the years ended 31 December 2017 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.

The key management personnel's final compensation packages for the year ended 31 December 2017 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. The total compensations for the year ended 31 December 2016 was restated to the amounts determined during the year ended 31 December 2017.

For the years ended 31 December 2017 and 2016, no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

### 52. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, none of them are directors or supervisors of the Company. Details of the emolument of the five highest paid employees during the reporting periods are as follows:

	Year ended 31 December	
	2017	2016
Basic salaries and allowances	4,901	3,147
Bonuses	45,917	49,330
Employer's contribution to pension schemes	1,559	6,012
	<b>52,377</b>	58,489

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 years of 2017 and 2016.

The emoluments of the highest-paid individuals of the Group fall within the following bands:

	Year ended 31 December	
	2017 No. of employees	2016 No. of employees
Emolument bands		
– HKD10,000,001 to HKD10,500,000	2	–
– HKD11,000,001 to HKD11,500,000	1	–
– HKD12,000,001 to HKD12,500,000	–	2
– HKD12,500,001 to HKD13,000,000	1	–
– HKD13,000,001 to HKD13,500,000	–	1
– HKD13,500,001 to HKD14,000,000	–	1
– HKD15,000,001 to HKD15,500,000	–	1
– HKD16,500,001 to HKD17,000,000	1	–
	<b>5</b>	5



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. RELATED PARTY TRANSACTIONS

#### (a) Transactions and balances with governmental related entities operated in the PRC

##### (1) Immediate holding company and its subsidiaries

Galaxy Financial Holdings is a financial holding company approved by the State Council of the PRC and was established in Beijing on 8 August 2005. Galaxy Financial Holdings owned 5,160,610,864 shares (31 December 2016: 5,217,743,240 shares), representing 50.91% (31 December 2016: 54.71%) of the entire equity interest of the Company as at 31 December 2017. The shareholders of Galaxy Financial Holdings are Central Huijin Investment Ltd. (“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 established in Beijing, PRC. Central Huijin was established to hold certain equity investments as authorized by the State Council and does not engage in other commercial activities. Central Huijin exercises legal rights and obligations in the Group on behalf of the PRC Government.

MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies.

During the years ended 31 December of 2017 and 2016, the Group provided securities brokerage and asset management services to Galaxy Financial Holdings and its subsidiaries and details of the significant transactions and balances are set out below.

	As at 31 December	
	2017	2016
Accounts receivable	9,055	11,967
Accounts payable to brokerage clients	1,075	185,485
Financial assets designated at fair value through profit or loss	300,000	–
	Year ended 31 December	
	2017	2016
Commission and fee income	76,213	111,277
Interest expenses	25,671	4,510
Rental expenses paid or payable to	1,331	1,364

During the year ended 31 December 2017, the Group subscribed and redeemed funds managed by a fellow subsidiary. The aggregate values of these subscriptions and redemptions amounted to RMB521 million and RMB21 million for the year ended 31 December 2017.

During the year ended 31 December 2017, the immediate holding company provided financing with an aggregate amount of RMB400 million to the Group for certain repurchase agreements and the Group incurred interest expenses of RMB0.28 million for these transactions. The aggregate fair values of financial assets in respect of these transactions amounted to RMB440 million.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. RELATED PARTY TRANSACTIONS (Continued)

#### (a) Transactions and balances with governmental related entities operated in the PRC (Continued)

##### (2) Central Huijin Group

Central Huijin holds equity interests in a number of banks and non-bank financial institutions in the PRC under the direction of the Chinese government (collectively referred to as the “Central Huijin Group”). The Group enters into transactions with Central Huijin Group under normal commercial terms. Such transactions mainly include deposits at banks, securities and futures dealing and broking, underwriting of equity and debt securities, and purchase and sale of equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group.

The Group’s material transactions with Central Huijin Group

	Year ended 31 December	
	2017	2016
Commission and fee income	472	1,208
Interest income from banks and non-bank financial institutions within the Central Huijin Group	736,062	1,131,665
Investment gains of equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group	15,233	34,827
Interest expenses to brokerage clients within the Central Huijin Group	16,594	21,100
Other operating expenses	1,779	1,359

The Group’s material balances with Central Huijin Group

	As at 31 December	
	2017	2016
Equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group classified as		
– available-for-sale financial assets	1,431,703	552,777
– financial assets held for trading	575,392	150,840
– financial assets designated at fair value through profit or loss	48,242	–
Bank balances deposited with banks within the Central Huijin Group	30,421,048	37,314,290
Other receivables and prepayments	2,960	2,773
Due to banks and other financial institutions	677,079	885,555
Accounts payable to brokerage clients within the Central Huijin Group	779	770
Other payables and accruals	47,152	5,435
Financial assets held under repurchase agreements	1,004,500	3,000,000

As at 31 December 2017, the financial institutions within the Central Huijin Group invested an amount of RMB196 million (31 December 2016: RMB1,265 million) in collective asset management schemes and targeted asset management schemes launched by the Group.



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(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. RELATED PARTY TRANSACTIONS (Continued)

#### (a) Transactions and balances with governmental related entities operated in the PRC (Continued)

##### (3) Transactions with other government-related entities in the PRC

Other than disclosed above, a significant portion of the Group's transactions are entered into with government related entities including securities and futures dealing and broking, underwriting of debt securities, purchases and sales of government bonds, and equity and debt securities issued by other government related entities. These transactions are entered into under normal commercial terms and conditions. At the end of the reporting period, the Group holds such investments in equity and debt securities and has balances with these government related entities including accounts payable to brokerage clients.

The directors of the Company consider that transactions with government related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the counterparties are government related entities.

#### (b) Other related parties in respect of key management personnel

##### (1) Other related parties in respect of key management personnel which have transactions with the Group are as follows:

Name	Relationship
China Galaxy Investment Management Company Limited ("Galaxy Investment")* (銀河投資管理有限公司)	Note 1
E-Capital Transfer Co., Ltd. ("E-Capital Transfer") (證通股份有限公司)	Note 2

Note 1: Mr. Song Weigang has served as the Vice President of Galaxy Financial Holdings and also as the chairman of Galaxy Investment since November 2016.

Note 2: Mr. Gu Weiguo serves as president of the Company and also as the non-executive director of E-Capital Transfer from January 2015.

\* This company does not have an official English name.

The Group's material transactions with other related parties in respect of key management personnel

*Other income*

	Year ended 31 December	
	2017	2016
Galaxy Investment	1,693	1,689



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(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. RELATED PARTY TRANSACTIONS (Continued)

#### (b) Other related parties in respect of key management personnel (Continued)

##### (1) Other related parties in respect of key management personnel which have transactions with the Group are as follows: (Continued)

The Group's material transactions with other related parties in respect of key management personnel (Continued)

*Expenses paid or payable to*

	Year ended 31 December	
	2017	2016
Galaxy Investment	122,089	110,867
E-Capital Transfer	3,454	3,884

The Group's material balances with other related parties in respect of key management personnel

*Accounts payable to brokerage clients*

	As at 31 December	
	2017	2016
Galaxy Investment	887	11,275

The Group's lease commitments with Galaxy Investment

	As at 31 December	
	2017	2016
The Group as lessee		
Within 1 year	114,674	110,768
Beyond 1 year and not more than 2 years	120,408	6,728
Beyond 2 years and not more than 3 years	–	1,589
	235,082	119,085



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(Amounts in thousands of Renminbi, unless otherwise stated)

### 53. RELATED PARTY TRANSACTIONS (Continued)

#### (b) Other related parties in respect of key management personnel (Continued)

##### (2) Key management personnel compensations

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and other members of senior management.

The key management compensation for the years ended 31 December 2017 and 2016 comprises:

	Year ended 31 December	
	2017	2016 (Restated)
Salaries, allowances, bonuses, social welfare and annuity scheme contribution	45,551	50,184

The key management personnel's final compensation packages for the year ended 31 December 2017 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. The total compensations for the year ended 31 December 2016 was restated to the amounts determined during the year ended 31 December 2017.

### 54. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

	As at 31 December	
	2017	2016
<b>Financial assets</b>		
Loans and receivables	186,200,997	177,813,782
– Financial assets held under resale agreements	38,256,131	13,006,200
– Investments classified as loans and receivables	4,984,147	3,643,112
– Deposits with exchanges and a non-bank financial institution	5,836,550	7,070,055
– Bank balances	59,741,699	69,064,034
– Advances to customers	60,063,731	55,476,601
– Accounts receivable	1,002,842	774,651
– Other financial assets	3,777,405	3,415,694
– Clearing settlement funds	12,538,492	25,363,435
Held-to-maturity investments	3,545,173	–
Available-for-sale financial assets	34,060,841	36,524,139
Financial assets held for trading	23,249,704	27,117,771
Financial assets designated at fair value through profit or loss	5,760,592	2,245,547
Derivative financial assets	22,936	8,477



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(Amounts in thousands of Renminbi, unless otherwise stated)

### 54. FINANCIAL INSTRUMENTS (Continued)

#### Categories of financial instruments (Continued)

	<b>As at 31 December</b>	
	<b>2017</b>	2016
<b>Financial liabilities</b>		
Financial liabilities at amortized cost	<b>185,438,125</b>	182,197,273
– Bonds payable	<b>61,754,273</b>	46,312,382
– Financing instrument payables	<b>29,454,520</b>	11,518,110
– Other financial liabilities	<b>7,675,645</b>	7,682,497
– Accounts payable to brokerage clients	<b>64,787,132</b>	90,404,209
– Due to banks and other financial institutions	<b>3,050,331</b>	1,785,422
– Financial assets sold under repurchase agreements	<b>18,716,224</b>	24,494,653
Financial liabilities designated at fair value through profit or loss	<b>268,491</b>	713,502
Derivative financial liabilities	<b>135,150</b>	38,002





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### 55. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group offsets the following financial assets and financial liabilities since 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 2017						
Type of financial assets	Gross amounts		Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Gross amounts of recognized financial assets		Financial*	Cash collateral received	
Advances to customers <sup>(1)</sup>	2,665,457	(185,068)	2,480,389	(2,421,863)	-	58,526
Accounts receivable from clearing house <sup>(2)</sup> (Note 30)	658,683	(359,950)	298,733	-	-	298,733
<b>Total</b>	<b>3,324,140</b>	<b>(545,018)</b>	<b>2,779,122</b>	<b>(2,421,863)</b>	<b>-</b>	<b>357,259</b>

As at 31 December 2016						
Type of financial assets	Gross amounts		Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Gross amounts of recognized financial assets		Financial*	Cash collateral received	
Advances to customers <sup>(1)</sup>	2,060,619	(102,038)	1,958,581	(1,908,175)	-	50,406
Accounts receivable from clearing house <sup>(2)</sup> (Note 30)	315,921	(245,975)	69,946	-	-	69,946
<b>Total</b>	<b>2,376,540</b>	<b>(348,013)</b>	<b>2,028,527</b>	<b>(1,908,175)</b>	<b>-</b>	<b>120,352</b>

\* These represents market values of shares pledged by customers which are capped at the outstanding balances of respective customers.



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### 55. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

#### (b) Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

As at 31 December 2017

Type of financial liabilities	Gross amounts		Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position		Financial instruments	Cash collateral pledged	
Accounts payable to						
– margin clients <sup>(1)</sup>	1,194,296	(185,068)	1,009,228	–	–	1,009,228
– clearing house <sup>(2)</sup>	420,428	(359,950)	60,478	–	(17,231)	43,247
<b>Total</b>	<b>1,614,724</b>	<b>(545,018)</b>	<b>1,069,706</b>	<b>–</b>	<b>(17,231)</b>	<b>1,052,475</b>

As at 31 December 2016

Type of financial liabilities	Gross amounts		Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position		Financial instruments	Cash collateral pledged	
Accounts payable to						
– margin clients <sup>(1)</sup>	808,342	(102,038)	706,304	–	–	706,304
– clearing house <sup>(2)</sup>	359,150	(245,975)	113,175	–	(16,158)	97,017
<b>Total</b>	<b>1,167,492</b>	<b>(348,013)</b>	<b>819,479</b>	<b>–</b>	<b>(16,158)</b>	<b>803,321</b>

Notes:

- (1) Under the agreements signed between the Group and its clients, certain amounts receivable and payable with the same clients on the same settlement date are settled on net basis.
- (2) Under the continuous net settlement, certain receivables and payables with Hong Kong Securities Clearing Company Limited and other brokers on the same settlement dates are settled on net basis.



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### 55. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

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	
	2017	2016
<b>Advances to customers</b>		
Net amount of advances to customers as stated above	<b>2,480,389</b>	1,958,581
Amount not in scope of offsetting disclosures	<b>57,583,342</b>	53,518,020
Total amount of advances to customers as stated in Note 29	<b>60,063,731</b>	55,476,601

### 56. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group’s consolidated statement of cash flows as cash flows from financing activities.

	Bonds payable	Financing instruments payables	Due to banks and other financial institutions	Interests payable	Dividends payable	Third party interests in consolidated structured entities	Total
At 1 January 2017	46,312,382	11,518,110	1,785,422	1,603,743	–	4,404,987	65,624,644
Financing cash flows	15,359,676	17,936,410	764,909	(3,065,567)	(1,574,295)	(1,181,143)	28,239,990
Non-cash changes:							
Interests expenses	82,215	–	–	3,104,825	–	149,609	3,336,649
Dividends declared	–	–	–	–	1,601,466	–	1,601,466
At 31 December 2017	61,754,273	29,454,520	2,550,331	1,643,001	27,171	3,373,453	98,802,749

The ending balances shown above exclude a balance of RMB500 million (31 December 2016: Nil) in respect of amounts due to banks and other financial institutions and a balance of RMB50 million (31 December 2016: RMB128 million) in respect of interests payable as they were related to operating activities of the Group.



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### 57. FINANCIAL RISK MANAGEMENT

#### Overview

The Group's risk management objectives are to ensure its development within a sustainable and healthy direction, its business operated orderly within an acceptable risk framework and its overall risks within a measurable, controllable and acceptable manner, aiming to achieve the Group's overall development strategy. The Group's risk management strategy is to identify and 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, operational 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 principles include the consideration of the levels of comprehensiveness, prudence, counter checking and balancing and independence.

#### Risk management organizational structure

The risk management of the Company at the upper level involves the Board of Directors, the Board of Supervisors and the management as the major bodies of the comprehensive risk management system and according to the "three-layer defence" lays down the foundation of risk management, incorporates risk management of subsidiaries in single system and implements a vertical management of risks, among which:

The Board of Directors is the highest decision-making body of the risk management system, taking the ultimate responsibility for the Company's risk management duties through its sub-committees Risk Management Committee and Audit Committee. The Board of Supervisors monitors whether the Board of Directors and the management have fulfilled their responsibilities in respect of risk management on a timely and effective manner according to laws and regulations. The management is responsible for the implementation of risk management strategies, objectives and policies. The chief risk officer is in charge of overall risk management.

Business departments, functional departments and branches are charged with the primary responsibility for risk management. They shall execute the Company's risk management strategies and policies, understand and give due consideration to various risks when making decisions, and timely and effectively identify, assess, monitor and report relevant risks. The Company deploys dedicated/part-time risk management and compliance personnel in business departments and branches to be responsible for management of specific risks and compliance management. Risk Management Department, Legal and Compliance Department, Finance and Accounting Department, Audit Department and Disciplinary Inspection Office are responsible for monitoring and managing various risks.

Each subsidiary establishes its own risk management framework, policies, IT system and risk control indicator system according to the risk appetite and framework of the Company and the Company's requirement on comprehensive risk management for its subsidiaries. It has to ensure consistency and effectiveness of overall risk management, taking into account of factors such as its own capital level, risk tolerance and complexity of business.

#### 57.1 Credit risk

Credit risk is the risk of loss due to failures or inability to fulfil obligations by counterparties, or the downgrade of credit rating of them. The Group's financial assets exposed to credit risk mainly include advances to customers, accounts receivable, other financial assets, held-to-maturity investment, investments classified as loans and receivables, available-for-sale financial assets, financial assets held under resale agreements, financial assets held for trading, financial assets designated at fair value through profit or loss, deposits with exchanges and a non-bank financial institution, clearing settlement funds and bank balances. Taking no account of collateral or other credit enhancements, the maximum credit exposure is the carrying amount of these financial assets, which is net of impairment allowance.



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### 57. FINANCIAL RISK MANAGEMENT (Continued)

#### Risk management organizational structure (Continued)

##### 57.1 Credit risk (Continued)

Bank balances of the Group are mainly deposited in state-owned commercial banks or joint-stock commercial banks with good credit rating, and clearing settlement funds are deposited with the China Securities Depository and Clearing Corporation Limited (the “CSDCC”).

For proprietary trading business, when the transactions are conducted through stock exchanges and the CSDCC, the counterparty default risk is considered low. For transactions conducted through the interbank market, counterparties are evaluated and only parties with good credit rating are authorized to trade with.

In order to manage the risk of its investment portfolio, the Group invests primarily in bonds with rating of AA-or above. Therefore, the Group considers the credit exposure of proprietary trading business is not significant.

Margin trading assets consist of advances to customers and securities lent to customers. The main credit risk of these financial assets is customers’ failure to repay the principal, interests or securities lent to them. The Group monitors margin trading clients’ accounts on an individual customer basis and call for additional margin deposits, cash collateral or securities, whenever necessary. The advances to margin clients are monitored through their collateral ratios, which ensure the value of the pledged assets is sufficient to cover the advances. As at 31 December 2017 and 2016, the collateral ratios of most of the Group’s margin clients were above 130%, respectively.

The credit risk of the Group also arises from their securities and futures brokerage business. In the case of customers failing to deposit adequate funds, the Group may have to complete trade settlements by using their own funds. To mitigate these credit risks, the Group requires cash deposit of full amounts for all transactions before they settle on behalf of customers.

As at 31 December 2017, other than those financial assets whose carrying amounts represent maximum exposure to credit risks, the Group is also exposed to credit risks arising from security lending and borrowing activities as clients may default on returning securities borrowed. Securities lent to clients may include securities collateral received from other clients under similar lending and borrowing arrangements. Therefore, these securities may not be recognized in the consolidated statement of financial position of the Group. As at 31 December 2017, the total amount of the securities (both the Group’s own securities and securities borrowed by the Group) lent to clients amounted to RMB73 million (31 December 2016: RMB106 million).

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

##### 57.2 Market risk

Market risk is the risk of loss arising from adverse change in fair value or movement in cash flows in respect of financial instruments, due to interest rate risk, currency risk or price risk.



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### 57. FINANCIAL RISK MANAGEMENT (Continued)

#### Risk management organizational structure (Continued)

#### 57.2 Market risk (Continued)

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group utilizes sensitivity analysis as the main tool of monitoring interest rate risk and measuring the impact to profit and equity for a reasonable and possible change of interest rates, assuming all other variables were held constant. Debt securities of the Group mainly comprise corporate bonds, and the Group mitigates the interest rate risk through monitoring the durations and convexities of its bond portfolios. Interest rate risk in connection with cash held on behalf of customers in bank balances and clearing settlement funds is offset by the associated accounts payable to brokerage clients because their terms match with each other.

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 2017

	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
<b>Financial assets</b>					
Advances to customers	60,063,731	-	-	-	60,063,731
Investments classified as loans and receivables	2,247,865	-	2,736,282	-	4,984,147
Available-for-sale debt securities	1,343,748	6,258,832	6,312,101	2,236,745	16,151,426
Held-to-maturity investments	2,125,632	-	158,062	1,261,479	3,545,173
Financial assets held under resale agreements	14,340,106	23,916,025	-	-	38,256,131
Financial assets held for trading	2,919,389	4,170,827	4,854,821	3,828,414	15,773,451
Financial assets designated at fair value through profit or loss	167,469	71,912	30,883	3,340	273,604
Clearing settlement funds	12,538,492	-	-	-	12,538,492
Bank balances	59,741,473	-	-	-	59,741,473
<b>Subtotal</b>	<b>155,487,905</b>	<b>34,417,596</b>	<b>14,092,149</b>	<b>7,329,978</b>	<b>211,327,628</b>
<b>Financial liabilities</b>					
Bonds payable	16,014,798	43,854,205	1,885,270	-	61,754,273
Due to banks and other financial institutions	3,050,331	-	-	-	3,050,331
Financing instrument payables	25,274,330	4,180,190	-	-	29,454,520
Accounts payable to brokerage clients	64,787,132	-	-	-	64,787,132
Financial assets sold under repurchase agreements	18,716,224	-	-	-	18,716,224
Other financial liabilities	305,412	2,296,273	433,023	338,745	3,373,453
<b>Subtotal</b>	<b>128,148,227</b>	<b>50,330,668</b>	<b>2,318,293</b>	<b>338,745</b>	<b>181,135,933</b>
<b>Net interest-bearing position</b>	<b>27,339,678</b>	<b>(15,913,072)</b>	<b>11,773,856</b>	<b>6,991,233</b>	<b>30,191,695</b>



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 57. FINANCIAL RISK MANAGEMENT (Continued)

#### Risk management organizational structure (Continued)

#### 57.2 Market risk (Continued)

##### Interest rate risk (Continued)

As at 31 December 2016

	Less than 1 year	More than 1 but less than 3 years	More than 3 but less than 5 years	More than 5 years	Total
<b>Financial assets</b>					
Advances to customers	55,476,601	–	–	–	55,476,601
Investments classified as loans and receivables	573,710	–	3,069,402	–	3,643,112
Available-for-sale debt securities	1,732,534	4,817,724	4,947,546	3,110,187	14,607,991
Financial assets held under resale agreements	6,017,122	6,989,078	–	–	13,006,200
Financial assets held for trading	9,512,336	3,145,222	3,924,556	3,014,994	19,597,108
Financial assets designated at fair value through profit or loss	–	20,578	153,720	91,898	266,196
Clearing settlement funds	25,363,435	–	–	–	25,363,435
Bank balances	69,063,879	–	–	–	69,063,879
<b>Subtotal</b>	<b>167,739,617</b>	<b>14,972,602</b>	<b>12,095,224</b>	<b>6,217,079</b>	<b>201,024,522</b>
<b>Financial liabilities</b>					
Bonds payable	22,300,000	21,140,922	2,871,460	–	46,312,382
Due to banks and other financial institutions	1,785,422	–	–	–	1,785,422
Financing instrument payables	11,518,110	–	–	–	11,518,110
Accounts payable to brokerage clients	90,404,209	–	–	–	90,404,209
Financial assets sold under repurchase agreements	24,494,653	–	–	–	24,494,653
Other financial liabilities	1,769,668	–	2,304,915	330,403	4,404,986
<b>Subtotal</b>	<b>152,272,062</b>	<b>21,140,922</b>	<b>5,176,375</b>	<b>330,403</b>	<b>178,919,762</b>
<b>Net interest-bearing position</b>	<b>15,467,555</b>	<b>(6,168,320)</b>	<b>6,918,849</b>	<b>5,886,676</b>	<b>22,104,760</b>

##### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing assets and liabilities. When reporting to the management on the interest rate risk, a 100 basis points increase or decrease in the relevant interest rates will be adopted for sensitivity analysis, assuming all other variables were held constant, which represents a reasonably possible change in interest rates.

The analysis is prepared assuming:

- Interest income and expenses are recorded in profit of loss for when interest-bearing financial assets or liabilities are repriced or reinvested at 100 basis points higher or lower when their interests are re-priced or mature; and
- Fair values of interest-sensitive financial assets and liabilities change in responses to changes in 100 basis points by using duration analysis.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 57. FINANCIAL RISK MANAGEMENT (Continued)

#### Risk management organizational structure (Continued)

#### 57.2 Market risk (Continued)

##### Interest rate risk (Continued)

##### Sensitivity analysis (Continued)

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	
	2017	2016
<b>Profit before income tax for the year</b>		
Increase by 100 basis points	(245,294)	(259,414)
Decrease by 100 basis points	245,294	259,414
	Year ended 31 December	
	2017	2016
<b>Other comprehensive income before income tax</b>		
Increase by 100 basis points	(468,782)	(418,091)
Decrease by 100 basis points	468,782	418,091

##### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Group's currency risk primarily relates to the Group's operating activities whose settlements and payments are denominated in foreign currencies which are different from the respective group entity's functional currency.

The foreign currency assets and liabilities held by the Group are not material compared to the total assets and liabilities. In terms of the Group's revenue structure, the majority of the business transactions are denominated in RMB, and the proportion of foreign currency transactions is not significant to the Group. The Group considers that the currency risk of the Group's operations is immaterial due to the relatively low proportion of the Group's foreign currency denominated assets, liabilities, income and expense, as compared to the Group's total assets, liabilities, income and expenses. Hence, no further analysis is presented.





## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 57. FINANCIAL RISK MANAGEMENT (Continued)

#### Risk management organizational structure (Continued)

#### 57.2 Market risk (Continued)

##### Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to investments in equity securities, funds, convertible bonds, derivatives and collective asset management schemes whose values will fluctuate as a result of changes in market prices. Most of these investments are made in the capital markets in China.

The Group's price risk management policy requires setting and managing investment objectives. The directors of the Company manage price risk by holding an appropriately diversified investment portfolio, setting limits for investments in different securities and closely monitoring the portfolio of investments to reduce the risk of concentration in any one specific industry or issuer. Therefore, in general concentration risk of the Group in respect of price risk is not significant, except for the Group's participation in the account managed by CSFCL as disclosed in Note 23. The Group uses derivatives contracts to hedge against certain exposures arising from its investment portfolio.

##### 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	
	2017	2016
<b>Profit before income tax for the year</b>		
Increase by 10%	955,174	854,561
Decrease by 10%	(955,174)	(854,561)
	Year ended 31 December	
	2017	2016
<b>Other comprehensive income before income tax</b>		
Increase by 10%	1,764,121	2,170,495
Decrease by 10%	(1,764,121)	(2,170,495)



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 57. FINANCIAL RISK MANAGEMENT (Continued)

#### Risk management organizational structure (Continued)

##### 57.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to shortages of capital or funds. During the normal course of business, the Group may face liquidity risk caused by macroeconomic policy change, market fluctuations, poor operations, credit downgrades, mismatch of assets and liabilities, low turnover rate of assets, underwriting on a firm commitment basis, significant proprietary trading position, or any significant illiquid long-term investments. If the Group fails to address any liquidity risk by adjusting the asset structure or comply with regulatory requirements on certain risk indicators, the Group could be penalized by the regulatory authority, which could cause adverse impacts to the Group's operations and reputations.

The measures of the group's liquidity risk management mainly include:

- (1) Establish a centralized fund management mechanism and an effective fund regulation mechanism.

To cope with and manage liquidity risk effectively, the Company has strengthened monitoring and management over fund transfers of significant amounts in order to achieve centralized fund allocation and coordinated liquidity risk management: incorporated debt financing and leverage ratios into risk authorization systems; established liquidity risk index system; monitored and reported liquidity of the Company on a daily basis; risk warning in a timely manner; conducted regular and ad-hoc stress tests to analyze and evaluate the level of liquidity risk; continuously optimized asset-liability structure to build a multi-level liquidity reserve system; and achieved diversification of financing channels through money market, capital market and bank borrowings.

- (2) Establish a stable liquidity risk management report system.

The Group prepares different financing plans for different periods, and reports implementations of financing plans to reflect the management of liquidity risk.

- (3) Increase working capital and liquidity by issuing shares and corporate bonds.

The Group increases its working capital and liquidity by issuing shares, corporate bonds, financing instruments payables, transfer of rights and interests in margin loans to support the development of margin financing and other businesses.

#### 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 rate, the undiscounted amount is derived from interest rate at the end of each reporting period.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 57. FINANCIAL RISK MANAGEMENT (Continued)

#### Risk management organizational structure (Continued)

#### 57.3 Liquidity risk (Continued)

#### Undiscounted cash flows by contractual maturities (Continued)

As at 31 December 2017

	Indefinite	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
<b>Financial assets</b>							
Advances to customers	-	2,480,389	16,960,490	44,874,064	-	-	64,314,943
Accounts receivable	-	1,002,842	-	-	-	-	1,002,842
Other financial assets	-	124,303	-	-	-	-	124,303
Investments classified as loans and receivables	-	-	-	2,284,325	3,479,582	-	5,763,907
Held-to-maturity investments	-	-	1,431,145	883,103	394,992	1,540,920	4,250,160
Available-for-sale financial assets	17,060,287	-	418,432	1,978,061	14,894,272	3,977,442	38,328,494
Financial assets held under resale agreements	-	81,266	2,214,705	12,680,637	27,186,515	-	42,163,123
Financial assets held for trading	7,476,252	-	864,060	2,505,368	11,234,353	4,678,927	26,758,960
Financial assets designated at fair value through profit or loss	3,724,203	6,543	633,022	725,169	344,854	343,500	5,777,291
Derivative financial assets	-	15,291	-	7,645	-	-	22,936
Deposits with exchanges and a non-bank financial institution	-	5,836,550	-	-	-	-	5,836,550
Clearing settlement funds	-	12,538,492	-	-	-	-	12,538,492
Bank balances	-	44,986,900	10,634,839	4,450,343	-	-	60,072,082
<b>Subtotal</b>	<b>28,260,742</b>	<b>67,072,576</b>	<b>33,156,693</b>	<b>70,388,715</b>	<b>57,534,568</b>	<b>10,540,789</b>	<b>266,954,083</b>
<b>Financial liabilities</b>							
Bonds payable	-	-	1,834,548	21,905,225	43,687,089	-	67,426,862
Due to banks and other financial institutions	-	-	3,054,311	-	-	-	3,054,311
Financing instrument payables	-	-	12,830,695	13,234,152	4,515,007	-	30,579,854
Accounts payable to brokerage clients	-	64,787,132	-	-	-	-	64,787,132
Other financial liabilities	338,745	2,715,502	14,802	230,529	2,934,463	-	6,234,041
Financial liabilities designated at fair value through profit or loss	-	-	185,500	54,644	28,347	-	268,491
Derivative financial liabilities	-	9,881	120,315	4,954	-	-	135,150
Financial assets sold under repurchase agreements	-	-	14,243,672	4,505,049	-	-	18,748,721
<b>Subtotal</b>	<b>338,745</b>	<b>67,512,515</b>	<b>32,283,843</b>	<b>39,934,553</b>	<b>51,164,906</b>	<b>-</b>	<b>191,234,562</b>
<b>Net position</b>	<b>27,921,997</b>	<b>(439,939)</b>	<b>872,850</b>	<b>30,454,162</b>	<b>6,369,662</b>	<b>10,540,789</b>	<b>75,719,521</b>



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 57. FINANCIAL RISK MANAGEMENT (Continued)

#### Risk management organizational structure (Continued)

#### 57.3 Liquidity risk (Continued)

##### Undiscounted cash flows by contractual maturities (Continued)

As at 31 December 2016

	Indefinite	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
<b>Financial assets</b>							
Advances to customers	-	1,938,902	10,442,287	47,089,325	-	-	59,470,514
Accounts receivable	-	774,651	-	-	-	-	774,651
Other financial assets	-	62,313	-	-	-	-	62,313
Investments classified as loans and receivables							
Available-for-sale financial assets	21,403,825	-	367,731	1,657,872	11,981,357	4,472,896	39,883,681
Financial assets held under resale agreements							
Financial assets held for trading	7,520,662	-	2,967,928	7,233,253	8,815,549	3,477,839	30,015,231
Financial assets designated at fair value through profit or loss							
Derivative financial assets	-	-	609	7,868	-	-	8,477
Deposits with exchanges and a non-bank financial institution							
Clearing settlement funds	-	7,070,055	-	-	-	-	7,070,055
Bank balances	-	25,363,435	-	-	-	-	25,363,435
Subtotal	29,578,079	91,097,187	19,681,667	71,048,546	34,179,097	8,803,254	254,387,830
<b>Financial liabilities</b>							
Bonds payable	-	-	7,627,050	17,336,850	25,285,004	-	50,248,904
Due to banks and other financial institutions							
Financing instrument payables	-	-	1,787,625	-	-	-	1,787,625
Accounts payable to brokerage clients	-	-	7,920,923	3,766,505	-	-	11,687,428
Other financial liabilities	-	90,404,209	-	-	-	-	90,404,209
Financial liabilities designated at fair value through profit or loss	330,403	2,852,455	491,689	153,296	3,223,557	-	7,051,400
Derivative financial liabilities							
Financial assets sold under repurchase agreements	-	-	364,905	348,597	-	-	713,502
Subtotal	-	-	624	37,378	-	-	38,002
Subtotal	-	-	19,565,600	5,163,240	-	-	24,728,840
Subtotal	330,403	93,256,664	37,758,416	26,805,866	28,508,561	-	186,659,910
Net position	29,247,676	(2,159,477)	(18,076,749)	44,242,680	5,670,536	8,803,254	67,727,920



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 57. FINANCIAL RISK MANAGEMENT (Continued)

#### Risk management organizational structure (Continued)

##### 57.4 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 the Group's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC and Hong Kong regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

1. Risk coverage ratio (net capital divided by the total risk capital reserves) shall be no less than 100% ("Ratio 1");
2. Capital leverage ratio (core net capital divided by total on-and-off-balance sheet assets) shall be no less than 8% ("Ratio 2");
3. Liquidity coverage ratio (high quality liquid assets divided by net cash outflow in 30 days) shall be no less than 100% ("Ratio 3");
4. Net stable funding ratio (the available amount of stable funding divided by the required amount of stable funding) shall be no less than 100% ("Ratio 4");
5. The ratio of net capital divided by net assets shall be no less than 20% ("Ratio 5");
6. The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 6");
7. The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 7");
8. The ratio of the value of proprietary equity securities and derivatives divided by net capital shall not exceed 100% ("Ratio 8"); and
9. The ratio of the value of proprietary non-equity securities and derivatives divided by net capital shall not exceed 500% ("Ratio 9").

Net capital refers to net assets minus risk adjustments on certain types of assets and liabilities, and add supplemental capital and other adjustments as defined in the Administrative Measures.



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### 57. FINANCIAL RISK MANAGEMENT (Continued)

#### Risk management organizational structure (Continued)

#### 57.4 Capital management (Continued)

As at 31 December 2017 and 2016, the Company maintained the above ratios as follows:

	As at 31 December	
	2017	2016
Net capital	50,746,808	53,108,748
Ratio 1	242.39%	361.60%
Ratio 2	29.38%	34.88%
Ratio 3	171.61%	218.70%
Ratio 4	124.93%	138.74%
Ratio 5	80.30%	93.33%
Ratio 6	43.74%	59.81%
Ratio 7	54.46%	64.09%
Ratio 8	32.94%	31.14%
Ratio 9	96.53%	86.52%

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements under the PRC and Hong Kong regulatory requirements imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively. These subsidiaries comply with the capital requirements during the years ended 31 December 2017 and 2016.

### 58. FAIR VALUE OF FINANCIAL INSTRUMENTS

#### 58.1 Fair value of the Group's financial assets and financial liabilities that are not measured on a recurring basis

The carrying amounts of the Group's financial assets and liabilities not measured at fair value approximate their fair values as at 31 December 2017 and 31 December 2016 except for the following financial liabilities, for which their carrying amounts including interest payable and fair value are disclosed below:

Non-current	As at 31 December 2017	
	Carrying amounts	Fair value
Bonds payable	45,739,475	46,203,319
Financing instrument payables	4,180,190	4,315,742
Financial assets held under resale agreements	23,916,025	24,507,770
Held-to-maturity investments	1,419,541	1,357,219



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 58. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### 58.1 Fair value of the Group's financial assets and financial liabilities that are not measured on a recurring basis (Continued)

Non-current	As at 31 December 2016	
	Carrying amounts	Fair value
Bonds payable	24,252,929	24,687,381
Financial assets held under resale agreements	6,989,078	7,089,954

Fair values of these financial instruments are categorized as Level 2 as explained below and determined by contractual cash flows discounted by observable yield curves.

#### 58.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting periods. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Level 1 to 3) based on the degree to which the inputs to the fair value measurements are observable and the significance.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 58. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### 58.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	As at 31 December		Fair Value	
	2017	2016	Hierarchy	Valuation technique(s) and key input(s)
<b>Available-for-sale financial asset</b>				
- Debt securities traded on stock exchanges	13,504,300	12,664,793	Level 1	<ul style="list-style-type: none"> <li>Quoted bid prices in an active market.</li> </ul>
- Debt securities traded on interbank market	2,647,126	1,943,198	Level 2	<ul style="list-style-type: none"> <li>China Bond Valuation-future cash flows are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.</li> </ul>
- Equity securities and funds traded on stock exchanges	6,497,623	6,877,971	Level 1	<ul style="list-style-type: none"> <li>Quoted bid prices in an active market.</li> </ul>
- Equity securities traded on National Equities Exchange and Quotations	57,848	6,853	Level 2	<ul style="list-style-type: none"> <li>Recent transaction prices.</li> </ul>
- Equity securities traded on stock exchanges with lock-up periods (Note 1)	248,491	2,938,322	Level 3	<ul style="list-style-type: none"> <li>The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability. This discount is determined by option pricing model. The key input is historical volatility of the share prices of the securities.</li> </ul>
- Other investments	9,387,476	10,355,637	Level 2	<ul style="list-style-type: none"> <li>Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.</li> </ul>
- Other investments (Note 2)	147,137	-	Level 3	<ul style="list-style-type: none"> <li>Discounted cash flow with future cash flows that are estimated based on contract terms, discounted at a rate that reflects the credit risk of underlying investments.</li> </ul>
- Other investments (Note 1)	1,302,640	1,526,165	Level 3	<ul style="list-style-type: none"> <li>Calculated 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. This discount is determined by option pricing model. The key input is historical volatility of the share prices of the securities.</li> </ul>
<b>Financial assets held-for-trading</b>				
- Debt securities traded on stock exchanges	9,843,534	8,706,032	Level 1	<ul style="list-style-type: none"> <li>Quoted bid prices in an active market.</li> </ul>
- Debt securities traded on interbank market	5,929,917	10,891,076	Level 2	<ul style="list-style-type: none"> <li>China Bond Valuation-future cash flows are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.</li> </ul>
- Equity securities and funds traded on stock exchanges and unlisted funds (open-ended mutual funds)	7,476,253	7,520,663	Level 1	<ul style="list-style-type: none"> <li>Quoted bid prices in an active market.</li> </ul>
<b>Financial assets designated at fair value through profit or loss</b>				
- Debt securities traded on stock exchanges	273,604	266,196	Level 1	<ul style="list-style-type: none"> <li>Quoted bid prices in an active market.</li> </ul>
- Equity securities and funds traded on stock exchanges	1,094,381	199	Level 1	<ul style="list-style-type: none"> <li>Quoted bid prices in an active market.</li> </ul>
- Equity securities traded on National Equities Exchange and Quotations	442,435	653,393	Level 2	<ul style="list-style-type: none"> <li>Recent transaction prices.</li> </ul>
- Equity securities traded on stock exchanges (Note 1)	2,177,267	-	Level 3	<ul style="list-style-type: none"> <li>The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability. This discount is determined by option pricing model. The key input is historical volatility of the share prices of the securities.</li> </ul>
- Structured deposits and wealth management products	628,543	717,056	Level 2	<ul style="list-style-type: none"> <li>Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.</li> </ul>





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### 58. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### 58.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	As at 31 December		Fair Value	
	2017	2016	Hierarchy	Valuation technique(s) and key input(s)
- Other investments	342,708	608,703	Level 2	• Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
- Other investments (Note 2)	801,654	-	Level 3	• Discounted cash flow with future cash flows that are estimated based on contract terms, discounted at a rate that reflects the credit risk of underlying investments.
<b>Financial liabilities designated at fair value through profit or loss</b>				
- Deposits from clients participating in equity swap	(12,030)	(349,923)	Level 1	• Fair value is determined with quoted bid prices in an active market.
- Financial instruments payable linked to stock index	(256,461)	(363,579)	Level 2	• Based on the bid prices of stock index in an active market.
<b>Derivative financial instruments</b>				
- Equity return swaps-assets	7,645	7,548	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 counterparties
- Equity return swaps-liabilities	(1,095)	(37,226)	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 counterparties
- Exchange-traded options-assets	11,785	447	Level 1	• Quoted bid prices in an active market.
- Exchange-traded options-liabilities	(5,181)	(542)	Level 1	• Quoted bid prices in an active market.
- Over-the-counter options-assets (Note 1)	3,506	482	Level 3	• Calculated based on Black-Scholes option pricing model.
- Over-the-counter options-liabilities (Note 1)	(128,874)	(234)	Level 3	• Calculated based on Black-Scholes option pricing model.
- Stock index futures-assets (Note 3)	30,024	2,980	Level 1	• Quoted bid prices in an active market.
- Stock index futures-liabilities (Note 3)	(23,512)	(73)	Level 1	• Quoted bid prices in an active market.
- Treasury bond futures-assets (Note 3)	3,171	9,203	Level 1	• Quoted bid prices in an active market.
- Treasury bond futures-liabilities (Note 3)	(4,378)	(1,319)	Level 1	• Quoted bid prices in an active market.
- Commodity futures-assets (Note 3)	114	535	Level 1	• Quoted bid prices in an active market.
- Commodity futures-liabilities (Note 3)	(2,027)	(3,382)	Level 1	• Quoted bid prices in an active market.
- Interest-rate-swaps-assets (Note 3)	1,025	-	Level 2	• Calculated based on the difference between the floating income based on Repo Rate and the fixed income agreed in the swap agreements between the Company and the counterparties
- Interest-rate-swaps-liabilities (Note 3)	(844)	-	Level 2	• Calculated based on the difference between the floating income based on Repo Rate and the fixed income agreed in the swap agreements between the Company and the counterparties

Notes:

- The significant unobservable input to fair value measurement is historical volatility of the underlying securities, which ranges from 11.03% to 66.52% (31 December 2016: 25.41% to 103.02%). The higher the historical volatility, the lower the fair value. A 10.00% increase/decrease in the historical volatility holding other variables constant will result in a decrease/increase in carrying amount by RMB15 million/RMB15 million (31 December 2016: RMB43 million/RMB43 million).
- The unobservable input to fair value is the discount rate, determined by reference to the credit risk of underlying investments, ranging from 8.24% to 13.16% (31 December 2016: Nil). The higher the discount rate, the lower the fair value. In respect of these assets, holding other variables constant, when the discount rate increases or decreases by 10.00%, the fair value of Level 3 financial assets will decrease or increase by RMB8 million (31 December 2016: Nil).



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 58. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### 58.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Notes: (Continued)

3. As disclosed in Note 34, these derivatives are under daily mark-to-market and settlement arrangements. Accordingly, the net position of the stock index futures, treasury bond futures, commodity futures and interest rate swaps contracts was nil at the end of each reporting period. The above analysis only presents the fair value of derivative financial instruments.

There were no transfers between Level 1 and 2 as at 31 December 2017 and 2016.

#### 58.3 Reconciliation of Level 3 fair value measurements

	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets
At 1 January 2017	–	4,464,487
Total losses		
– in other comprehensive income	–	(155,793)
– in profit or loss	(42,573)	–
Purchases	3,021,494	334,137
Transfers out (Note)	–	(2,944,563)
As at 31 December 2017	2,978,921	1,698,268
Total gains for assets held at 31 December 2017		
– unrealized losses recognized in		
– other comprehensive income	–	(20,227)
– profit or loss	(42,573)	–
		Available-for-sale financial assets
At 1 January 2016		3,348,450
Total losses		
– in other comprehensive income		(100,208)
Purchases		3,756,564
Transfers out (Note)		(2,540,319)
As at 31 December 2016		4,464,487
Total gains for assets held at 31 December 2016		
– unrealized gains recognized in		
– other comprehensive income		212,462

Note: These are equity securities traded on stock exchanges with lock-up periods or asset management schemes which holds listed shares with lock-up periods. They were transferred from Level 3 to Level 1 when the lock-up period lapsed and became unrestricted.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 59. EVENTS AFTER THE END OF THE REPORTING PERIOD

Pursuant to the Share Purchase Agreement (the “SPA”) entered into between China Galaxy International Financial Holdings Company Limited (“Galaxy International Financial Holdings”), a wholly-owned subsidiary of the Company, and CIMB Group Sdn Bhd (“CIMB”) on 6 June 2017, Galaxy International Financial Holdings will acquire 50% equity interest in CIMB Securities International Pte. Ltd. (“CSI”) with certain conditions at a consideration of Singapore Dollar (“SGD”) 166 million. On 18 January 2018, the Group made a payment of the initial consideration of SGD150 million, representing 90% of the original consideration of SGD166 million. Immediately after completion of the transaction, Galaxy International Financial Holdings and CIMB each holds 50% equity interest in CSI. CSI is engaged in securities broking and research in South East Asia, United States and United Kingdom.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of RMB0.120 per ordinary share, in an aggregate amount of RMB1,216 million has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

The Company obtained approval from Shanghai Stock Exchange to issue corporate bonds of aggregate amount not more than RMB20,000 million. In January 2018 and February 2018, the Company completed the issuance of corporate bonds of RMB5,000 million (first tranche) and RMB2,200 million and (second tranche) respectively. These bonds bear interests at 5.55%-5.70% per annum and the terms are from 2 years to 3 years. Proceeds from the issue will be used to increase working capital of the Company.

The Company obtained approval from CSRC to issue corporate bonds of aggregate amount not more than RMB11,500 million. In March 2018, the Company completed the issuance of the 2018 corporate bond (first tranche) of RMB2,500 million. The bonds bear interests at 5.15% per annum and the terms are 3 years. Proceeds from the issue will be used to increase working capital of the Company.

### 60. CONTINGENCY

On 19 January 2018, Taiping Fund Management Co., Ltd. (“Taiping Fund”) filed an arbitration request to Shanghai International Economy and Trade Arbitration Commission and identified the Company as the counterparty of certain transactions. It requested the Company to repay an amount of RMB145 million arising from four repurchase transactions, interests of RMB0.40 million and compensations and penalty interests on a daily basis from the maturity dates of these four repurchase transactions. The Company is of the opinion that the counterparty of these 4 repurchase transactions with Taiping Fund is “Galaxy Huida Yihe Targeted Asset Management Plan No. 109 (銀河匯達易禾 109號定向資產管理計劃)”, a targeted asset management product launched by Galaxy Jinhui Securities Asset Management Company Limited (“Galaxy Jinhui”), a subsidiary of the Company. This product is a brokerage client of the Company and the Company provided trading instruction services for this product. Taiping Fund filed a request of arbitration as it failed to reach an agreement with the principal of the product for the breach of contract.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 61. INVESTMENTS IN SUBSIDIARIES

As at 31 December 2017, the Company has the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Equity interest and voting right held by the Group		Paid-up capital/ registered share capital (RMB unless otherwise stated)	Principal activities
		31/12/2017	31/12/2016		
Galaxy Capital Management Company Limited* (銀河創新資本管理有限公司)	Beijing, PRC	100.00%	100.00%	1,000,000,000	Assets management and project investment
Galaxy International Financial Holdings	Hong Kong, PRC	100.00%	100.00%	HKD3,261,208,250	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 (銀河金匯)	Shenzhen, PRC	100.00%	100.00%	1,000,000,000	Asset management
Galaxy Yuanhui Investment Company Limited* (銀河源匯投資有限公司)	Shanghai, PRC	100.00%	100.00%	1,500,000,000	Alternative investment
China Galaxy International Futures (Hong Kong) Company Limited	Hong Kong, PRC	100.00%	100.00%	HKD72,000,000	Futures contracts dealing and broking
China Galaxy International Securities (Hong Kong) Company Limited	Hong Kong, PRC	100.00%	100.00%	HKD900,000,000	Securities broking, advising on securities and corporate finance
China Galaxy International Finance (Hong Kong) Company Limited	Hong Kong, PRC	100.00%	100.00%	HKD1,000,000	Money lending
China Galaxy International Assets Management (Hong Kong) Company Limited	Hong Kong, PRC	100.00%	100.00%	HKD20,000,000	Asset management
Galaxy Golden Rock Investment Consultancy (Shenzhen) Company Limited* (銀河金岩投資諮詢(深圳)有限公司)	Shenzhen, PRC	100.00%	100.00%	2,200,000	Enterprise management consultancy and project investment consultancy



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 61. INVESTMENTS IN SUBSIDIARIES (Continued)

As at 31 December 2017, the Company has the following subsidiaries: (Continued)

Name of subsidiary	Place of incorporation/ establishment	Equity interest and voting right held by the Group		Paid-up capital/ registered share capital (RMB unless otherwise stated)	Principal activities
		31/12/2017	31/12/2016		
China Galaxy International Wealth Management (Hong Kong) Company Limited	Hong Kong, PRC	100.00%	100.00%	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	51.00%	51.00%	100,000,000	Investment fund management
Galaxy Yueke (Guangdong) Industry Investment Fund (Limited Partnership) ** (銀河粵科(廣東)產業投資基金(有限合伙))	Foshan, PRC	40.00%	40.00%	500,000,000	Investing in securities
Galaxy Derivatives Capital Management Company Limited* (銀河德睿資本管理有限公司)	Shanghai, PRC	88.00%	88.00%	500,000,000	Assets and investment management

\* These subsidiaries do not have official English names.

# Galaxy Capital Management Company Limited is the general partner of this limited partnership and the Group holds 40.00% equity interests. Therefore, this limited partnership is an indirectly held subsidiary.

In the opinion of the directors, there is no subsidiary with material non-controlling interests within the Group. Accordingly, no further information on non-wholly-owned subsidiary has been presented.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 62. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

#### (a) The Company's statement of financial position

##### AS AT 31 DECEMBER 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
		2017	2016
<b>Non-current assets</b>			
Property and equipment		339,311	359,774
Goodwill		223,278	223,278
Other intangible assets		376,017	341,067
Investments in subsidiaries	61	7,095,827	3,535,480
Financial assets held under resale agreements		23,916,025	6,989,078
Available-for-sale financial assets		21,188,144	18,253,782
Deposits with exchanges and a non-bank financial institution		197,765	266,461
Deferred tax assets		72,653	271,251
<b>Total non-current assets</b>		<b>53,409,020</b>	30,240,171
<b>Current assets</b>			
Advances to customers		56,920,037	52,799,635
Accounts receivable		284,737	352,584
Tax recoverable		565,577	662,699
Other receivables and prepayments		3,587,802	3,431,707
Amounts due from subsidiaries		943,847	187,713
Financial assets held under resale agreements		13,870,760	5,498,614
Available-for-sale financial assets		17,930,254	573,710
Investments classified as loan and receivables		1,250,247	18,688,731
Financial assets held for trading		20,234,844	25,072,666
Financial assets designated at fair value through profit or loss		5,090,869	865,654
Derivative financial assets		7,645	7,590
Deposits with exchanges and a non-bank financial institution		74,326	34,208
Clearing settlement funds		11,885,104	24,724,447
Bank balances		42,773,349	53,632,981
<b>Total current assets</b>		<b>175,419,398</b>	186,532,939
<b>Total assets</b>		<b>228,828,418</b>	216,773,110
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	62(b)	10,137,259	9,537,259
Reserves	62(b)	38,433,148	33,648,118
Retained profits	62(b)	14,624,847	13,717,444
<b>Total equity</b>		<b>63,195,254</b>	56,902,821



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 62. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

#### (a) The Company's statement of financial position (Continued)

##### AS AT 31 DECEMBER 2017

(Amounts in thousands of Renminbi, unless otherwise stated)

	As at 31 December	
	2017	2016
Liabilities		
Non-current liabilities		
Bonds payable	45,440,175	23,713,682
Financing instrument payables	4,180,190	–
Financial liabilities designated at fair value through profit or loss	25,370	–
Total non-current liabilities	49,645,735	23,713,682
Current liabilities		
Bonds payable	16,014,798	22,300,000
Due to banks and other financial institutions	500,000	–
Financing instrument payables	25,274,330	11,518,110
Accounts payable to brokerage clients	49,602,736	71,081,667
Accrued staff costs	2,953,880	3,669,039
Other payables and accruals	3,520,819	2,509,231
Financial liabilities designated at fair value through profit or loss	238,407	704,180
Derivative financial liabilities	125,268	37,226
Financial assets sold under repurchase agreements	17,757,191	24,337,154
Total current liabilities	115,987,429	136,156,607
Total liabilities	165,633,164	159,870,289
Total equity and liabilities	228,828,418	216,773,110
Net current assets	59,431,969	50,376,332
Total assets less current liabilities	112,840,989	80,616,503



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 62. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

#### (b) Movement in the Company's reserves

The movements in share capital, reserves and retained profits of the Company are set out below:

	Reserves							Total equity
	Share capital	Investment Capital reserve	Investment revaluation reserve	General reserves	Other reserves	Subtotal	Retained profits	
At 1 January 2016	9,537,259	21,611,176	506,414	11,048,031	(35,148)	33,130,473	13,589,997	56,257,729
Profit for the year	-	-	-	-	-	-	4,653,511	4,653,511
Other comprehensive income/(expense) for the year	-	-	(886,918)	-	8,510	(878,408)	-	(878,408)
Total comprehensive income/(expense) for the year	-	-	(886,918)	-	8,510	(878,408)	4,653,511	3,775,103
Appropriation to general reserves	-	-	-	1,396,053	-	1,396,053	(1,396,053)	-
Dividend recognized as distribution	-	-	-	-	-	-	(3,130,011)	(3,130,011)
At 31 December 2016	9,537,259	21,611,176	(380,504)	12,444,084	(26,638)	33,648,118	13,717,444	56,902,821
Profit for the year	-	-	-	-	-	-	3,540,970	3,540,970
Other comprehensive income/(expense) for the year	-	-	375,172	-	(6,648)	368,524	-	368,524
Total comprehensive income/(expense) for the year	-	-	375,172	-	(6,648)	368,524	3,540,970	3,909,494
Issuance of new shares	600,000	3,486,000	-	-	-	3,486,000	-	4,086,000
Transaction costs attributable to issue of new shares	-	(131,786)	-	-	-	(131,786)	-	(131,786)
Appropriation to general reserves	-	-	-	1,062,292	-	1,062,292	(1,062,292)	-
Dividend recognized as distribution	-	-	-	-	-	-	(1,571,275)	(1,571,275)
At 31 December 2017	10,137,259	24,965,390	(5,332)	13,506,376	(33,286)	38,433,148	14,624,847	63,195,254





## APPENDIX I. INFORMATION ON SECURITIES BRANCHES

No.	Securities Branches	Address	Person In Charge	Note
1	Beijing Financial Street Securities Branch	Floor 3-4, No. 111 Taiping Bridge Avenue, Xicheng District, Beijing	Zhao Hongliang	
2	Beijing Fucheng Avenue Securities Branch	Floor 1, 3, 4, Yindu Building, No.67, Fucheng Avenue, Haidian District, Beijing	Ma Junming	
3	Beijing Zhongguancun Avenue Securities Branch	03-3D Tower D, Building 1-4, 18th Yard (A), Zhongguancun South Avenue, Haidian District, Beijing	Yang Yan	
4	Beijing Wangjing Securities Branch	Floor 2, 12 Futong East Avenue, Chaoyang District, Beijing	Zhao Zhiquan	
5	Beijing South Xueyuan Road Securities Branch	Floor 1-3, Building 2, 34 South Xueyuan Road, Haidian District, Beijing	Zhao Xinhua	
6	Beijing Guangqumen Avenue Securities Branch	Room 101 on 1/F and Room 701 on 7/F, Composite Building, 27 Guangqumen Avenue, Dongcheng District, Beijing	Dong Yingzhen	
7	Beijing Huangsi Avenue Securities Branch	Room 104 on 1/F and Room 203-205 on 2/F, Building 2, 21 Huangsi Avenue, Xicheng District, Beijing	Cao Yanxia	
8	Beijing Sun Palace Securities Branch	No.9, Floor 2, Building 11, Xiajiayuan, Chaoyang District, Beijing	Ai Haifeng	
9	Beijing Chaoyangmen North Avenue Securities Branch	Floor 6, Tower B, 5th Square, No.5, Changyangmen North Avenue, Dongcheng District, Beijing	Wang Xiaojing	
10	Beijing Taoran Qiao Securities Branch	Room 901-906, Floor 9, No.1 Majiabao Road, Dongcheng District, Beijing	Ding Zefu	
11	Beijing Jianguo Road Securities Branch	Room 308, Floor 3, Floor 1, North, Ruisai Building, 2 South Donghuan Road, Chaoyang District, Beijing	Song Yeshan	
12	Beijing Fangzhuang South Avenue Securities Branch	Room 103, 2 Fangzhuang South Avenue, Fengtai District, Beijing	Wu Di	
13	Beijing Xueqing Road Securities Branch	Room 701-702, 712-718, Floor 7, Jinma Hotel, No.38(A) Xueqing Road, Haidian District, Beijing	Yan Xiaolong	
14	Beijing Yizhuang Securities Branch	Room 103, 1/F, Building 1, 5th Yard, Ronghua Middle Road, Beijing Economic and Technological Development Zone, Beijing	Wang Jinzhu	



No.	Securities Branches	Address	Person In Charge	Note
15	Beijing Hujialou Securities Branch	2/F, Building 6, North Xiangjun Lane A, Hujialou, Chaoyang District, Beijing	Ma Ming	
16	Beijing Tongzhou Jiukeshu Securities Branch	1/F and 2/F, No.100 Jiukeshu Street, Tongzhou District, Beijing	Xu Qiang	
17	Beijing Dawang Road Securities Branch	2303, 1/F and 2/F, Blocks 7-10, 88 Jianguo Road, Chaoyang District, Beijing, China	Liu Yang	
18	Beijing Laiguangying Securities Branch	Unit 201, 2/F, Block 2, Chengying Center, Yard No. 5, Laiguangying West Road, Chaoyang District, Beijing	Tian Zhilu	Newly opened in 2017
19	Beijing Chaoyang Road Securities Branch	Room 305, 3/F, No. 100 Balizhuang Xili, Chaoyang District, Beijing	Liu Yafei	Newly opened in 2017
20	Beijing Fengke Road Securities Branch	Room 106, 1-2/F, Block 4, Yard No. 2, Liuquan Road, Fengtai District, Beijing	Li Qiang	Newly opened in 2017
21	Beijing West Third Ring South Road Securities Branch	Room 201-1, Block 1, Yard No. 14, West Third Ring South Road, Fengtai District, Beijing	Hou Zhishan	Newly opened in 2017
22	Beijing Houshayu Securities Branch	Room 107-108, 1/F, Block 9, Yard No. 20, Yuqing Road, Houshayu Town, Shunyi District, Beijing	Zhou Chunmei	Newly opened in 2017
23	Beijing Litong Road Securities Branch	Room 15-3, 1/F, Block 15, Yard No. 1, Jinfang Road, Chaoyang District, Beijing	Duan Deyi	Newly opened in 2017
24	Beijing Caishikou Street Securities Branch	Room 125, 1-2/F, Block 2, Yard No. A2, Caishikou Street, Xicheng District, Beijing	Jiao Jian	Newly opened in 2017
25	Beijing Fuwai Street Securities Branch	Area GBC-6, 1/F, The Presidential Beijing, No. A9 Fuchengmenwai Street, Xicheng District, Beijing	Bai Yunlong	Newly opened in 2017
26	Beijing Asian Games Village Securities Branch	Room A203, 2/F, Block 16, Yard No. 8, Beichen East Road, Chaoyang District, Beijing	Zeng Zhen	Newly opened in 2017
27	Beijing Yuanda Road Securities Branch	Room 2B (Block A), Unit 1, 2/F, Building No. 2 (Jinyuan Times Commercial Center Building No. 2), Yard No. 2, Landianchang East Road, Haidian District, Beijing	Guo Mengmeng	Newly opened in 2017
28	Beijing Tongzhou Securities Branch	Room 2-6, 1/F, Block 2, Yard No. 12, Xinhua South Second Street, Tongzhou District, Beijing	Liu Bin	Newly opened in 2017



No.	Securities Branches	Address	Person In Charge	Note
29	Beijing Liangmaqiao Road Securities Branch	Room 1113, 11/F, in 101, 2-16/F, Block 124, Yard No. 42, Liangmaqiao Road, Chaoyang District, Beijing	Li Huiwen	Newly opened in 2017
30	Beijing Shangdi Securities Branch	Room 04B-C, Block D, 4/F, No. A28 Xinxu Road, Haidian District, Beijing	Lu Bing	Newly opened in 2017
31	Beijing Zhichun Road Securities Branch	Room 102-2, 1/F, Block 1, No. 68 Zhichun Road, Haidian District, Beijing	Jiang Jingtao	Newly opened in 2017
32	Tianjin Kaihua Road Securities Branch	Floor 1, Huake Entrepreneurship Center, 3 Kaihua Road, Huayuan Industrial Park, Binhai High-Tech Industry Development Zone	Zhong Jihong	
33	Tianjin Changjiang Road Securities Branch	2/F, Qingxin Building, 55-65 Changjiang Road, Nankai District, Tianjin	Zeng Tao	
34	Tianjin Shengli Road Securities Branch	1-2-101, Ruihai Building, Northwest of intersection of Shengli Road and Jianguo Road, Hebei District, Tianjin	Qu Ligu	
35	Tianjin Sheng' an Avenue Securities Branch	No. 84, Chengdu Avenue, Five Great Avenues, Heping District, Tianjin	Peng Shoujun	
36	Qinhuangdao Securities Branch	No. 181, Jianshe Avenue, Harbour District, Qinhuangdao City, Hebei Province	Gu Xiaofeng	
37	Shijiazhuang Hongqi Street Securities Branch	No.98, Hongqi Street, Shijiazhuang City, Hebei Province	Jiao Wenli	
38	Shijiazhuang Shengli North Street Securities Branch	Floor 1 & 2, Futian Building, No.156 Shengli North Street, Shijiazhuang City, Hebei Province	Luo Feng	
39	Langfang Yinhe North Street Securities Branch	No.106, Yinhe North Street, Langfang City, Hebei Province	Li Fanghui	
40	Xingtai Qinghe Securities Branch	No. 17, Changjiang East Street, Qinghe County, Xingtai City, Hebei Province	Liu Wei	
41	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	
42	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	



No.	Securities Branches	Address	Person In Charge	Note
43	Cangzhou Yong'an South Street Securities Branch	No. 1202, 5th Part, Yihewenyuan Sales Department, Jiefang West Road, Yunhe District, Cangzhou City	Chen Hui	
44	Zhangjiakou Great Wall West Street Securities Branch	1/F, Commercial Floor, No. 6, Block 1-A, New East Asia Fortune Center, Great Wall West Street, High-tech Zone, Zhangjiakou City, Hebei Province	Yang Haisheng	Newly opened in 2017
45	Jinzhong Yingbin Street Securities Branch	No.135, Yingbin Street, Yuci district, Jinzhong City, Shanxi Province	Zhuan Huiqin	
46	Linfen Jiefang East Road Securities Branch	No.2, Jiefang East Road, Linfen City	Yang Shuangmin	
47	Taiyuan Yingze West Avenue Securities Branch	No.53, Yingze West Avenue, Taiyuan City, Shanxi Province	Zhao Songlin	
48	Taiyuan Taoyuan Securities Branch	No.16, Taoyuan North Avenue, Taiyuan City, Shanxi Province	Zhao Junhua	
49	Houma Kuaibin Street Securities Branch	No.7, Kuaibin Street, Houma City, Shanxi Province (former Zhong Hang Building)	Wang Quanrui	
50	Hongdong Chezhan Street Securities Branch	Chezhan Street, Hongdong County, Shanxi Province	Cui Jinhui	
51	Huozhou Kaiyuan Street Securities Branch	No.A3-6, Kaiyuanshengdian, Kaiyuan Street, Huozhou City, Shanxi Province	Guo Ming	
52	Taigu Kangyuan Road Securities Branch	No.2, Building 20, Huaxing community, Kangyuan Road, Taigu County, Jinzhong City, Shanxi Province	Song Wei	
53	Qixian Xinjian North Road Securities Branch	No.179, Xinjian North Street, Qi County, Jinzhong City, Shanxi Province (The North side of Library)	Xue Hongbin	
54	Taiyuan Bingzhou South Avenue Securities Branch	No.1-2, 94 Qinxian North Avenue, Xiaodian District, Taiyuan City, Shanxi Province	Zhang Jianzhong	
55	Yicheng Jiefang Street Securities Branch	1-2/F, Block 6, Zone C2 (Yiheyuan Community), Jiefang West Street, Yicheng County, Shanxi Province	Chen Honghua	
56	Lingshi Xiaohe South Road Securities Branch	B2-04, Fenghuang Xincheng Shops, Xiaohe South Road, Lingshi County, Jinzhong, Shanxi Province	Zhou Xianglian	



No.	Securities Branches	Address	Person In Charge	Note
57	Jiexiu Zhenxing Street Securities Branch	The Adjacency of Yipinhuangniu, Zhenxing Street, Jiexiu City, Jinzhong City	Shi Jianhua	
58	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	
59	Xiaoyi Fuqian Street Securities Branch	Fuqian Street, Luliang Xiaoyi City, Shanxi Province (Shop 16, Xiang He Xin Yuan)	Fu Weihao	
60	Xiyang Xiacheng Street Securities Branch	Shop 24, Zhong Cheng Ya Ju, Xiacheng Street, Xiyang County, Jinzhong City, Shanxi Province	Wang Tao	
61	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	
62	Datong Liuquan South Street Securities Branch	Shop 102, North Zone, Hehui Xinquan Bay Community, Liuquan South Street, West side of Yuhe West Road, Cheng District, Datong City	Pei Bin	Newly opened in 2017
63	Yangquan Baojin Road Securities Branch	No. 14 Commercial Floor, Block 3, Shengshi New Town, Baojin Road, Yangquan City Economic and Technological Development Zone, Shanxi Province	Chen Dao	Newly opened in 2017
64	Changzhi Taixing East Street Securities Branch	G/F, No. 2, Yongsheng Court, Taixing East Street; 1-2/F, No. 5 Taixing East Street, Changzhi City	Yang Zhifeng	Newly opened in 2017
65	Zuoquan Jiangjun Road Securities Branch	Shop 2#-28, Xincheng International, Jiangjun Road, Zuoquan County, Jinzhong City, Shanxi Province	Zhou Yiqun	Newly opened in 2017
66	Baotou Wulan Road Securities Branch	No.6, 19 (A) Wulan Road, Kundulun District, Baotou City, Inner Mongolia Autonomous Region	Ren Wei	
67	Hohhot Xinhua East Street Securities Branch	No.78, Xinhua East Street, Saihan District, Hohhot City, Inner Mongolia Autonomous Region	He Jing	
68	Hohhot Daxue West Street Securities Branch	No.110, Daxue West Street, Hohhot City, Inner Mongolia Autonomous Region	Hou Jie	



No.	Securities Branches	Address	Person In Charge	Note
69	Ordos Dongsheng Jilaoqing South Road Securities Branch	Room-0-105, Block 15, Neighborhood No. 7, Daqiao Road, Dongsheng District, Ordos City, Inner Mongolia Autonomous Region	Li Xuebin	Newly opened in 2017
70	Hulunbuir Qiaotou Street Securities Branch	3/F, Hulun Holiday Hotel, No.6-8 Qiaotou Street, Hailar District, Hulunbuir City	Wang Jian	Newly opened in 2017
71	Harbin Zhongshan Road Securities Branch	1/F & 3/F, No. 252, Zhongshan Road, Nangang District, Harbin City	Li Naichen	
72	Harbin West Tenth Street Securities Branch	No.19, West Tenth Street, Daoli District, Harbin City	Liu Peijian	
73	Daqing Dongfeng Road Securities Branch	No. 80, Dongfeng Road, No. F-4 Shangfu Building, Hanchengmingyuan, Longfeng District, Daqing City	Sun Lixin	
74	Jiamusi Xilin Road Securities Branch	No. 1178, Xilin Road, Jiaoqu, Jiamusi City	Zhang Bin	
75	Qiqihar Longhua Road Securities Branch	1-2/F, No. 25-1, Block 8, North Heping Yard, Tiefeng District, Qiqihar City, Heilongjiang Province	Liu Fang	Newly opened in 2017
76	Jixi Hongqi Road Securities Branch	4/F, No. 19 Hongqi Road, Xiangyang Office, Jiguan District, Jixi City, Heilongjiang Province	Wang Fang	Newly opened in 2017
77	Mudanjiang Dongyitiao Road Securities Branch	No. 77 Dongyitiao Road, Dong'an District, Mudanjiang City, Heilongjiang Province	Chen Long	Newly opened in 2017
78	Changchun Renmin Street Securities Branch	No. 8688, Renmin Street, Nanguan District, Changchun, Jilin Province	Li Yantao	
79	Changchun West Minzhu Street Securities Branch	No.1161, Chaoyang West Minzhu Street, Changchun City, Jilin Province	Yan Xiaomin	
80	Jilin Chongqing Street Securities Branch	Outlet No. 033, Jilin Wealth Plaza, No. 1367 Chongqing Road, Changyi District, Jilin City	Wang Huanyu	
81	Shenyang Sanjing Street Securities Branch	1-3/F, No. 95, Sanjing Street, South of Shenhe District, Shenyang City	Wen Jiuyu	
82	Shenyang Jianshe East Road Securities Branch	Door 3, No. 76, Jianshe East Road, Tiexi District, Shenyang City	Xu Shan	



No.	Securities Branches	Address	Person In Charge	Note
83	Shenyang Dabeiguan Street Securities Branch	Floor 1-2, Unit 2, 40 Dabeiguan Street, Dadong District, Shenyang City, Liaoning Province	Bai Xuefei	Acting
84	Shenyang Beizhan Road Securities Branch	59 Beizhan Road, Shenhe District, Shenyang City, Liaoning Province	Hu Yingxin	
85	Shenyang Sanhao Street Securities Branch	No. 6, 7, 4A, Wenti Road, Heping District, Shenyang City	Liu Dayong	
86	Shenyang Changbai West Road Securities Branch	No. 36, Changbai West Road, Heping District, Shenyang City (36A, Changbai West Road)	Li Bin	
87	Fuxin Xinhua Road Securities Branch	Door 74-15, Xinhua Road, Haizhou District, Fuxin City	Liang Xiaogang	
88	Shenyang Nan Shun Cheng Road Securities Branch	No. 56, Shuncheng Road, South of Shenhe District, Shenyang City	Chen Jinyan	
89	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	
90	Liaoyang Laodong Street Securities Branch	No. 58, Laodong Street sub-district, Baita District, Liaoyang City, Liaoning Province	Tong Shengyong	
91	Panjin Shifu Street Securities Branch	2#, Kaisa Center, No. 1 Shifu Street, Xinglongtai District, Panjin City, Liaoning Province	Li Jingping	Newly opened in 2017
92	Dandong Caishenmiao Street Securities Branch	No. 41-1-11 Caishenmiao Street, Yuanbao District, Dandong City, Liaoning Province	Ding Qiang	Newly opened in 2017
93	Dalian Yide Street Securities Branch	Room 01, 08 & 07, 5/F, No. 20 Yide Street, Zhongshan District, Dalian City, Liaoning Province	Wang Yansong	
94	Dalian Xinkai Road Securities Branch	Zhujiang International Building, 99 Xinkai Road, Xigang District, Dalian City	Wang Huibin	
95	Dalian Huanghe Road Securities Branch	Room B, C, D, Floor 5 of the Elevator, 620 Huanghe Road, Shahekou District, Dalian City	Guo Qing	
96	Dalian Renmin Road Securities Branch	Floor 3, Chengda Building, 71 Renmin Road, Zhongshan District, Dalian City	Zheng Yue	



No.	Securities Branches	Address	Person In Charge	Note
97	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	
98	Dalian Jinma Road Securities Branch	No. 2, Block 4, Zone F Commercial Building, Wucai City, Dalian Economic and Technological Development Zone, Liaoning Province	Yu Pengxiao	Newly opened in 2017
99	Shanghai Wulian Road Securities Branch	No. 11, Wulian Road, Pudong New District, Shanghai	Zhang Xuehong	
100	Shanghai Anye Road Securities Branch	No.124, Anye Road, Shanghai	Song Weiyan	
101	Shanghai Hongjing Road Securities Branch	Room 202, 185 Hongjing Road, Shanghai	Dai Linlong	
102	Shanghai East Baoxing Road Securities Branch	Floor 12,13, 118 East Baoxing Road, Hongkou District, Shanghai	Bian Wenqi	
103	Shanghai Zhongyuan Road Securities Branch	No.188, Zhongyuan Road, Shanghai	Liu Dong	
104	Shanghai Caobao Road Securities Branch	Floor 9, No. 3459, Caobao Road, Minhang District, Shanghai	Li Xinliang	
105	Shanghai Pudong New Area Bohua Road Securities Branch	2/F of 388, 390, 392, 2/F of 412, 2/F of 416, 2/F of 420, 2/F of 424, 2/F of 428 and 2/F of 432, 388-392 Bohua Road, Pudong New Area, Shanghai	Huang Gang	
106	Shanghai Shangnan Road Securities Branch	No. 1316, Shangnan Road, Pudong New District, Shanghai	Cheng Xiaoqi	
107	Shanghai Yangpu Jingyu East Road Securities Branch	Room 101, Room 201, No. 265 Jingyu East Road, Yangpu District, Shanghai	Wang Yisheng	
108	Shanghai Changning District Zhenning Road Securities Branch	Room 202, 2/F, No. 525 Zhenning Road, Changning District, Shanghai	Li Gequan	
109	Shanghai Gongkang Road Securities Branch	No. 328, Gongkang Road, Baoshan District, Shanghai	Jiao HongYan	
110	Shanghai East Daming Road Bund Securities Branch	Room A, Floor 2, 912 East Daming Road, Hongkou District, Shanghai	Chen Jianguang	





No.	Securities Branches	Address	Person In Charge	Note
111	Shanghai Pudong New District Yuanshen Road Securities Branch	15/F, No. 92 Yuanshen Road, China (Shanghai) Pilot Free Trade Zone	Hua Yafeng	
113	Shanghai Hengfeng Road Securities Branch	Room 201-1, Floor 2, 218 Hengfeng Road, Shanghai	Yu Lili	
114	Shanghai Zhaojiabang Road Securities Branch	Room 907, 908, 909, 910, 911, 912, 915, 916, 917, 918, 920, 9/F, No. 212 Zhaojiabang Road, Shanghai	Shen Jianming	
115	Shanghai Yichuan Road Securities Branch	Floor 1, 2, 833 Yichuan Road, Shanghai	Huang Xuqing	
116	Shanghai Zhongshan North Road Securities Branch	Room 401-406, 408-412, 2917 Zhongshan North Road, Putuo District, Shanghai	Li Junyan	
117	Shanghai Dongfang Road Securities Branch	Floor 8, 989 Dongfang Road, Pudong New District, Shanghai	Ma Lin	
119	Shanghai Pudong South Road Securities Branch	Floor 1 & 15, World Square, 855 Pudong South Road, Shanghai	Chen Aiping	
120	Shanghai Xinyu Road Securities Branch	No. 205, Xinyu Road, Jiading District, Shanghai	Pan Yuhua	
121	Shanghai Xinchang Road Securities Branch	Floor 2, 6, North, No.518, Xinchang Road, Huangpu Town, Shanghai	Yang Bin	
122	Shanghai Putuo District Changde Road Securities Branch	Unit 102, 1/F, 1339 Changde Road, Putuo District Shanghai	Shen Wenjie	
123	Shanghai Pilot Free Trade Zone Jilong Road Securities Branch	Shop 3, 1/F, No. 1, Jilong Road, China (Shanghai) Pilot Free Trade Zone	Yu Meng	
124	Shanghai Baoshan District Luxiang Road Securities Branch	Room 101, 1/F, No. 2 Alley 111, Luxiang Road, Baoshan District, Shanghai	Zhu Yue Wei	
125	Shanghai Pudong New District Jingao Road Securities Branch	Room 108, No. 945, Jingao Road, Pudong New District, Shanghai	Huang Lei	
126	Shanghai Sibao Road Securities Branch	Floor 1-2, No. 50, Sibao Road, Sijing Town, Songjiang District, Shanghai City	Xu Yongwei	
127	Shanghai Qingpu District Mingzhu Road Securities Branch	Room 106, No. 838 Mingzhu Road, Qingpu District, Shanghai	Zhang Huanlai	



No.	Securities Branches	Address	Person In Charge	Note
128	Shanghai Putuo District Zhongjiang Road Securities Branch	1/F, No. 20 Alley 118, Zhongjiang Road, Putuo District, Shanghai	Gao Zhixin	
129	Shanghai Minhang District Chenxing Road Securities Branch	Room 218, 2/F, Block 1, No. 2388 Chenxing Road, Minhang District, Shanghai	Jin Qibao	
130	Shanghai Yangpu District Songhu Road Securities Branch	Room 201, No. 433, Songhu Road, Yangpu District, Shanghai City	Li Yajun	
131	Shanghai Jingang Road Securities Branch	Room 1110-1111, 11/F, No. 299, Jingang Road, China (Shanghai) Pilot Free Trade Zone	Zheng Chifei	
132	Shanghai Songjiang District Rongle East Road Securities Branch	1-2/F, No. 1919 Rongle East Road, Songjiang District, Shanghai	Liu Wenjian	Newly opened in 2017
133	Shanghai Pudong New Area Lingyan South Road Securities Branch	Room 1-2, 1/F, No. 1440 Lingyan South Road, Pudong New Area, Shanghai	Liu Ge	Newly opened in 2017
134	Shanghai Xiangchuan Road Securities Branch	1-2/F, No. 398 Xiangchuan Road, Pudong New Area, Shanghai	Xu Bengu	Newly opened in 2017
135	Shanghai Qingpu District Xinfuzhong Road Securities Branch	Room 101, No. 1786_1784, Xinfuzhong Road, Huaxin Town, Qingpu District, Shanghai	Ye Lanxiang	Newly opened in 2017
136	Shanghai Gaoke East Road Securities Branch	No. 112, Building No. 8, Block 1, Alley 777, Gaoke East Road, Pudong New Area, Shanghai	Lu Bei	Newly opened in 2017
137	Shanghai Songjiang District Xinnan Road Securities Branch	Zone B, 1/F, No. 1015 Xinnan Road, Xinqiao Town, Songjiang District, Shanghai	Liu Yi	Newly opened in 2017
138	Nanjing Hongwu Road Securities Branch	Room 203-207, Floor 2, Fuxin International Building, No. 359 Hongwu Road, Qinhuai District, Nanjing City, Jiangsu Province	Zhang Jun	
139	Nanjing Shanghai Road Securities Branch	No.145, Shanghai Road, Gulou District, Nanjing City, Jiangsu Province	Cao Anming	
142	Nanjing Nanrui Road Securities Branch	Building 19, Wuyueyiyuan, 79 Nanrui Road, Gulou District, Nanjing City, Jiangsu Province	Ju Min	



No.	Securities Branches	Address	Person In Charge	Note
140	Nanjing Longpan Middle Road Securities Branch	Floor 2, Jincheng Technology Building, 216 Longpan Middle Road, Baixia District, Nanjing City, Jiangsu Province	Hu Kaitao	
141	Nanjing Jiangdong Middle Road Securities Branch	Room 201, No. 213, Jiangdong Middle Road, Jianye District, Nanjing City	Zhuang Haijun	
143	Yangzhou Wenchang Middle Road Securities Branch	No. 561, Wenchang Middle Road, Yangzhou City, Jiangsu Province	Ji Chunlei	
144	Suzhou Sanxiang Road Securities Branch	No. 718, Sanxiang Road, Suzhou City, Jiangsu Province	Qian Chun	
145	Zhenjiang Huangshan South Road Securities Branch	Floor 11, 20 Huangshan South Road, Zhenjiang City, Jiangsu Province	Zhong Sheng	
146	Nanjing Jiangning Zhushan Road Securities Branch	No. 136, Zhushan Road, Jiangning District, Nanjing City	Yang Weixue	
147	Nanjing Huashen Avenue Securities Branch	No. 11-14, Huashen Avenue, Yuhuatai District, Nanjing City	Li Qingfeng	
148	Nantong Gongnong Road Securities Branch	Room 107, Jintang Building, No. 198 Gongnong Road, Nantong City,	Wang Wei	
149	Changshu Zhujiang East Road Securities Branch	No. 93 Zhujiang East Road, Changshu City	Wang Fuxing	
150	Yancheng Yingbin South Road Securities Branch	Room 102, Block 7, Northern District, Qianjiang Fangzhou Community, No. 126 Yingbin South Road, Yancheng City	Gao Lili	
151	Wuxi Liangxi Road Securities Branch	Zone A, 1/F, 708 Liangxi Road, Wuxi	Liu Zhongxi	
152	Jiangyin Hongqiao North Road Securities Branch	No. 183-185, Hongqiao North Road, Jiangyin City	Chen Zheng	
153	Lianyungang Tongguan South Road Securities Branch	109, Jianyuanguanzhu Building, No. 102, Tongguan South Road, Haizhou District, Lianyungang City	Luo Fei	
154	Rugao Jiankang Road Securities Branch	Business Room, No. 4, Block 809, Jiankang East Village, Rucheng Town	Zhang Xu	
156	Changzhou North Street Securities Branch	No. 8-1, Yulong Garden, Zhonglou District, Changzhou City	Zhang Yu	
157	Huai'an Hongze Dongshi Road Securities Branch	S3, S5, S6 & S7, Block 63A, 11-8 Zhongxing Mingdu, No. 11 Dongshi Road, Hongze District, Huai'an City, Jiangsu Province	Li Xun	Newly opened in 2017



<b>No.</b>	<b>Securities Branches</b>	<b>Address</b>	<b>Person In Charge</b>	<b>Note</b>
158	Yixing Guibin South Road Securities Branch	1-2/F, No. 78 Guibin South Road, Xinjie Sub-district, Yixing City	Wang Kejie	Newly opened in 2017
159	Jiangyin Zhouzhuang Century South Avenue Securities Branch	No. 102 Century South Avenue, Zhouzhuang Town, Jiangyin City	Xie Lingling	Newly opened in 2017
160	Taizhou Youth South Road Securities Branch	Room 103 & 104, No. 300 Youth South Road, Hailing District, Taizhou City	Xing Jun	Newly opened in 2017
161	Kunshan Xiaolin Road Securities Branch	No. 195-1 Chengbei Xiaolin Road, Yushan Town, Kunshan City, Jiangsu Province	Peng Xiaowu	Newly opened in 2017
162	Baoying Baitian Road Securities Branch	No. 100 Commercial Street, Baitian Road, Hongsheng New Town, Baoying County	Wang Wenxiang	Newly opened in 2017
163	Guanyun Renmin Middle Road Securities Branch	Room 102 & 202, Block 7, Jinling Imperial Garden, Renmin Middle Road, Yishan Town, Guanyun County, Lianyungang City	Zhou Xujie	Newly opened in 2017
164	Suzhou Yueliangwan Road Securities Branch	Room 101-03, Zhongxin Building, No. 15 Yueliangwan Road, Suzhou Industrial Park	Wang Hang	Newly opened in 2017
165	Taicang Shanghai East Road Securities Branch	Room 106 & 107, Block 3, No. 168 Shanghai East Road, Loudong Sub-district, Taicang City	Gao Yang	Newly opened in 2017
166	Nanjing Chuangzhi Road Securities Branch	Room 101, No. 2 Chuangzhi Road, Jianye District, Nanjing City	Dai Rongming	Newly opened in 2017
167	Nanjing Pubin Road Securities Branch	Room 101, Block 5, CASTD Innovation Plaza, No. 150 Pubin Road, Jiangbei New Area, Nanjing City	Shi Lei	Newly opened in 2017
168	Shaoxing Securities Branch	No.146, Luxun Middle Road, Shaoxing City, Zhejiang Province	Xi Meijiao	
169	Jinhua Securities Branch	No. 393, Bayi South Road, Jinhua city, Zhejiang Province	Zhong Xiaojun	
170	Wenzhou Danan Street Securities Branch	No. 201, 2nd Floor, Huadu Building, Danan Road, Lucheng District, Wenzhou city, Zhejiang Province	Peng Jie	
171	Taizhou Youdian Street Securities Branch	No.109-125, Youdian Road, Luqiao District, Taizhou City, Zhejiang Province	Yu Wei	



<b>No.</b>	<b>Securities Branches</b>	<b>Address</b>	<b>Person In Charge</b>	<b>Note</b>
172	Huzhou Securities Branch	No.128, Hongqi Road, Huzhou City, Zhejiang Province	Lou Daxin	
174	Hangzhou Genshan West Road Securities Branch	Floor 1, 7-8, 220 Genshan West Road, Hangzhou City, Zhejiang Province	Wang Yueqian	
173	Deqing Securities Branch	No. 251, Zhongxing South Road, Wukang County, Deqing Town, Zhejiang Province	Wu Tao	
175	Lanxi Sanjiang Street Securities Branch	No. 73, Sanjiang Road, Lanxi city, Zhejiang Province	Ni Zhifang	
177	Lishui Securities Branch	No. 375, Dayang Road, Lishui city, Zhejiang Province	Xie Jianhong	
179	Hangzhou Qingchun Road Securities Branch	No. 38-1, Qingchun Road, Hangzhou City	Shen Qun	
176	Jiaxing Huancheng South Road Securities Branch	No. 281 Huancheng South Road, Nanhu District, Jiaxing City, Zhejiang Province	Yang Jianmin	
178	Hangzhou Stadium Road Securities Branch	Floor 1, 3, 4, 102 Stadium Road, Hangzhou City	Chen Chuang	
180	Hangzhou Shaoxing Road Securities Branch	Room 216-217, 303 Shaoxing Road, Hangzhou City	Zhu Guowei	
182	Cangnan Station Avenue Securities Branch	Rom 201, Block 6, Shidai Dushi Plaza, Lingxi Town Station Avenue, Cangnan County, Wenzhou City	Lin Guanshu	
181	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	
183	Hangzhou Xintang Road Securities Branch	No. 13, Xintang Road, Hangzhou City, Zhejiang Province	Hu Jun	
184	Jiande Xin'an Road Securities Branch	No.193, Xin'an Road, Xin'anjiang Street, Jiande City, Zhejiang Province	Wu Hao	
185	Qingtian Yongjin Street Securities Branch	No. 1, No. 2, Yongjin Road, Qingtian County, Lishui City, Zhejiang Province	Yu Haigen	
186	Zhuchang Kaien Road Securities Branch	No. 106-113 B, Kaien Road, Miaogao Sub-district, Zhuchang County, Lishui City, Zhejiang Province	Qiu Suhua	



<b>No.</b>	<b>Securities Branches</b>	<b>Address</b>	<b>Person In Charge</b>	<b>Note</b>
187	Huzhou Shiyuan Road Securities Branch	No. 883-885, Shiyuan Road, Nanxun County, Huzhou City, Zhejiang Province	Jin Huan	
190	Longquan Hualou Street Securities Branch	No. 268, Hualou Street, Longquan city, Zhejiang Province	Yang Ye	
189	Hangzhou Gudun Road Securities Branch	Room 401, Unit 3, Building 1, Yuyingfang, Qinqinjiaoyuan, Sandun county, Hangzhou City, Zhejiang Province	Sun Zhuo	
188	Yiwu Chouzhou North Street Securities Branch	Floor 2-4, No. 661 and No. 663, Floor 1, No. 663, Chouzhou, North Road, Yiwu City, Zhejiang Province	Xu Shuming	
191	Qingyuan Mengzhou Street Securities Branch	Shop 6, Block 7, Mengzhou Huayuan, 209 Mengzhou Street, Qingyuan County, Zhejiang Province	Zhang Yong	
193	Changxing County Qianxi Road Securities Branch	The 1st and 3rd Floor, No. 207, 209 and 211, Qianxi Road, Zhicheng Town, Changxing County	Zhu ZhengYi	
192	Pinghu Jiefang West Street Securities Branch	The 1st and 2nd Floor, No. 62, Jiefang West Road, Danghu Street, Pinghu city, Zhejiang Province	Sun Hangping	
194	Hangzhou Yuhang Qiushan Street Securities Branch	No. 611-202, Qiushan Street, Donghu Road, Yuhang District, Hangzhou City, Zhejiang Province	Gong Xiaojun	
199	Shangyu Wangchong Road Securities Branch	Room 401, Room 402, Jincheng Building, No. 67-71, Decheng Road, Baiguan Street, Shangyu District, Shaoxing City	Wang Xiaofeng	
200	Quzhou Xujiang Road Securities Branch	No. 65, 67, 69, Xujiang Road, Kecheng District, Quzhou City, Zhejiang Province	Xu Shenglin	
201	Tonglu Yingchun South Road Securities Branch	80, 82, Yingchun South Road, Tonglu County, Zhejiang Province	Tong Xiadian	
195	Wenzhou Jinxiu Street Securities Branch	Room 104, Building 1, Ruikang Business Building, Jinxiu Road, Wenzhou City	Jin Fan	
196	Shaoxing Keqiao Jianhu Road Securities Branch	1-2/F, Block A, No. 27 Keqiao Jianhu Road, Keqiao District, Shaoxing City	Xu Jianguo	



No.	Securities Branches	Address	Person In Charge	Note
197	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	
202	Linhai Duqiao Xiazhu Road Securities Branch	No. 16, Xiazhu Road, Duqiao Town, Linhai City	Ren Liqing	
198	Taizhou Yinquan Road Securities Branch	No. 188, Yinquan Road, Huangyan District, Taizhou City	Hu Yue	
205	Taizhou Donghai Avenue Securities Branch	No. 680 & 682, Donghai Avenue, Taizhou City	Huang Li	
203	Hangzhou Jiangbin West Avenue Securities Branch	16-1 to 16-2, Jiangbin West Avenue, Fuchun Street, Fuyang District, Hangzhou	Yu Heguo	
206	Zhoushan Qiandao Road Securities Branch	1/F, Block A, Jianshe Building, No. 167 Qiandao Road, Lincheng Streets, Dinghai District, Zhoushan	Zhu Haijie	
204	Chun' an Xinan Avenue Securities Branch	Floor 1, No. 49, Xinan Avenue, Qiandaohu Town, Chunan County	Xu Xinri	
207	Zhuji Dongyi Road Securities Branch	No. 90 Dongyi Road, Huandong Sub-district, Zhuji City	Li Zheng	Newly opened in 2017
208	Tongxiang Zhenxing East Road Securities Branch	1F9-10.2F9-10, Block C, New Century Tower, Zhenxing East Road, Wutong Sub-district, Tongxiang City	Shen Danxia	Newly opened in 2017
209	Hangzhou Shixinzhong Road Securities Branch	No. 651 Shixinzhong Road, Beigan Sub-district, Xiaoshan District	Zhang Yong	Newly opened in 2017
210	Yongkang Wuzhou Road Securities Branch	1/F, Jinzhou Building, Yongkang Municipal Headquarters, Jinhua City, Zhejiang Province	Wu Jingyan	Newly opened in 2017
211	Wenzhou Yongzhong West Road Securities Branch	Room 125-1 & 125-2, Block 1-6, Wanxinjin Garden, Yongzhong West Road, Longwan District, Wenzhou City, Zhejiang Province	Chen Xiao	Newly opened in 2017
212	Linhai Chonghe Road Securities Branch	No. 7-5, 7-6 & 7-7, Chonghe Road, Yongyi Plaza, Gucheng Sub-district, Linhai City, Taizhou City, Zhejiang Province	Zhang Lingjiao	Newly opened in 2017
213	Cangnan Longgang Avenue Securities Branch	2/F, Kangxin Building, Longgang Avenue, Longgang Town, Cangnan County	Yang Qingyou	Newly opened in 2017



<b>No.</b>	<b>Securities Branches</b>	<b>Address</b>	<b>Person In Charge</b>	<b>Note</b>
214	Wenling Sanxing Avenue Securities Branch	No. 297 & 297-1 Sanxing Avenue, Taiping Sub-district, Wenling City, Taizhou City, Zhejiang Province	Xie Peihong	Newly opened in 2017
215	Anji Shengli West Road Securities Branch	No. 135-137 Shengli West Road, Changshuo Sub-district, Anji County, Huzhou City, Zhejiang Province	Chen Bin	Newly opened in 2017
216	Haining Qianjiang West Road Securities Branch	No. Qianjiang West Road, Haizhou Sub-district, Haining City, Jiaxing City, Zhejiang Province	Jin Qi	Newly opened in 2017
217	Hangzhou Shipping International Building Securities Branch	Room 120 & 218, Block 2, Shipping International Building, Shangcheng District, Hangzhou City	Bao Sheng	Newly opened in 2017
218	Dongyang Shizi Street Securities Branch	No. 13 Shizi Street, Wuning Sub-district, Dongyang City, Zhejiang Province	Jin Kuang	Newly opened in 2017
219	Hangzhou Wenyi West Road Securities Branch	Shop [107], 1/F, Block 2, Xixi Center, No. 588 Wenyi West Road, Xihu District, Hangzhou City, Zhejiang Province	Yang Jian	Newly opened in 2017
220	Hangzhou Dengyun Road Securities Branch	No. 118-1 & 120 Dengyun Road, Gongshu District, Hangzhou City, Zhejiang Province	Ding Fuqiang	Newly opened in 2017
221	Hangzhou Dongxin Road Securities Branch	No. 654 (Provisional) Dongxin Road, Xiacheng District, Hangzhou City, Zhejiang Province	Zhu Qianfeng	Newly opened in 2017
222	Ningbo Liuting Street Securities Branch	Room 1607-1610, 16/F, No.225 Liuting Street, Haishu District	Wang Yunguo	
223	Ningbo Daqing South Street Securities Branch	No. 6, Daqing South Road, Jiangbei District, Ningbo city	Zhou Hongliang	
224	Ningbo Cuibai Street Securities Branch	No. 416, Cuibai Road, Jiangbei District, Ningbo city	Yin Mingge	
225	Ningbo Dashani Street Securities Branch	Building Fumao, No. 88, Dashani Road, Haishu District, Ningbo City, Zhejiang Province	Jiang Dongdong	
226	Yuyao Nanlei Road Securities Branch	No. 1, Shinan East Road, Yuyao City	Xu Yan	
227	Ningbo Ningnan North Road Securities Branch	No. 1049 Ningnan North Road, Zhonggong Temple Street, Yinzhou District, Ningbo City	Lin Changshan	
228	Ningbo Daxie Xinchuang Road Securities Branch	61 Xinchuang Road, Daxie Development Zone, Ningbo	Liu Hengyi	





No.	Securities Branches	Address	Person In Charge	Note
229	Fenghua Yuelin Road Securities Branch	No. 1-1, 1-2, 1-3, Yuelin Road, Jinpin Street, Fenghua District, Ningbo City, Zhejiang Province	Ye Luozi	
230	Ningbo Baizhang East Road Securities Branch	899, Baizhang East Road, Ningbo City, Zhejiang Province	Feng Yi	
231	Cixi Ciyong Road Securities Branch	No. 314-318 Ciyong Road, Hushan Sub-district, Cixi City, Zhejiang Province	Yu Xiaolan	Newly opened in 2017
232	Ma'anshan Hudong Central Road Securities Branch	Block 2, Jufengyuan, 777 Hudong Central Road, Huashan District, Ma'anshan	Wang Gongman	
233	Hefei Changjiang Middle Street Securities Branch	No. 57, Changjiang Middle Road, Hefei City, Anhui Province	Tao Fei	
234	Hefei Tunxi Street Securities Branch	1-2/F, East Podium, Xueyuan Building, No. 525 Huizhou Avenue, Baohe District, Hefei City	Cheng Lesan	
235	Hefei Jincheng Securities Branch	No. 419, Changjiang Middle Road, Luyang District, Hefei City, Anhui Province	Wu Kan	
236	Huangshan Xinyuan East Road Securities Branch	No. 198, Xinyuan East Road, Tunxi District, Huangshan City, Anhui Province	Lu Wenbin	
237	Hefei Qimen Street Securities Branch	No. 1569, Qimen Road, Zhengwu New Street, Hefei City, Anhui Province	Kong Jun	
238	Bengbu Donghai Street Securities Branch	No. 5183 (Floor 1, East of Business Building, South of Zhanggongshan Park), Donghai Road, Bengbu City, Anhui Province	Zhou Yingyu	
239	Wuhu Limin West Street Securities Branch	Taixin Business Center (Huarun Suguo Limin Shopping Mall), Yijiang District, Wuhu city, Anhui Province	Gao Xuemin	
240	Huainan Guangchang Road Securities Branch	Shop No. 116, 215, 216, Lucheng Garden, Plaza Road, Tianjiaan District, Huainan City, Anhui Province	Wang Tao	
241	Anqing Jixian South Road Securities Branch	No. 2 Jixian South Road, Dagan District, Anqing City	Ji Xiong	



No.	Securities Branches	Address	Person In Charge	Note
242	Hefei Yungu Road Securities Branch	Shop 105/105 Central, Block C03, Lakeside Mansion, Intersection of Yungu Road and Jindou Road, Baohe District, Hefei City	Jiang Qing	Newly opened in 2017
243	Tongling Yi'an Avenue Securities Branch	Room C102, Fortune Plaza, No. 1287 Yi'an Avenue North, Tongling City, Anhui Province	Han Hong	Newly opened in 2017
244	Fuyang Huaihe Road Securities Branch	Room 7#111, Zone A-3, Wanda Plaza, No. 789 Huaihe Road, Qinghe Sub-district Office, Yingzhou District, Fuyang City	Liu Xiaodong	Newly opened in 2017
245	Chizhou Shicheng Avenue Securities Branch	Room 102, Block 1, Kaixuanmen, Shicheng Avenue, Chizhou City, Anhui Province	Ling Yong	Newly opened in 2017
246	Fuzhou Securities Branch	Storefront 01, 2nd Floor and Storefront 12 and 13, 1st Floor, Building 1, Fuzhou Jiyou Square, No.39, Fuma Road, Gulou District, Fuzhou City, Fujian Province	Chen Qing	
247	Fuzhou Yeshan Road Securities Branch	Floor 4, Zonghe Building, No. 105 Yeshan Road, Gulou District, Fuzhou City, Fujian Province	Zheng Yong	
248	Fuzhou Dongshui Street Securities Branch	The 2nd to 3rd Floor, No. 55, Design Building Dongshui Road, Gulou District, Fuzhou City	Zheng Qingyu	
249	Zhangzhou Shuixian Street Securities Branch	Room D3, Building D-E, Rongchang Square, Rongchang Garden, Shuixian Street, Longwen District, Zhangzhou City, Fujian Province	Lei Jintao	
250	Quanzhou Nanjun Road Securities Branch	No. 132, Nanjun North Road, Dongsheng Community, Kaiyuan Sub-district, Licheng District, Quanzhou City, Fujian Province	Wu Liangkai	
251	Sanming Liedong Street Securities Branch	Shop 6,7,8, 1/F, Block 362, Gan Long New Village, Meilie District, Sanming City	Li Lihua	
252	Fuqing Wanda Palaza Securities Branch	Duplex shop 06, Floors 1 & 2, & Duplex Shop 07, 2/F No. B3-B6, B9-B13, Fuqing Wanda Palaza, Yinxi Street, Fuqing City, Fuzhou City, Fujian Province	Chen Feng	



No.	Securities Branches	Address	Person In Charge	Note
253	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	
254	Ningde Securities Branch	Room 101 & 201, Block 1, Qinghua Court, No. 39 Jiaocheng South Road, Jiaocheng District, Ningde City, Fujian Province	Chen Gang	Newly opened in 2017
255	Yunxiao Jiangjun Avenue Securities Branch	No. 101-103, Block 7, Yijing Sunshine, Jiangjun Avenue, Yunxiao County, Fujian Province	Fang Zhongzhong	Newly opened in 2017
256	Fuzhou Baima Road Securities Branch	Shop 01, 1/F, Block 1#, Qunsheng – Baima Shire, No. 10 Pudong Road, Yizhou Sub-district, Taijiang District, Fuzhou City, Fujian Province	Wei Min	Newly opened in 2017
257	Fuzhou Qunzhong Road Securities Branch	2/F, Jincheng International Building, East Wing, No. 49 Qunzhong Road, Chating Sub-district, Taijiang District, Fuzhou City, Fujian Province	Yang Jian	Newly opened in 2017
258	Longyan Shuanglong Road Securities Branch	Shop F24, F25 & F26, Wanda Plaza, No. 1 Shuanglong Road, Caoxi Sub-district, Xinluo District, Longyan City, Fujian Province	Gu Weidong	Newly opened in 2017
259	Xiamen Meihu Street Securities Branch	No. 75-87, Meihu Road, Xiamen city	Zhou Lianyuan	
260	Xiamen Minzu Road Securities Branch	Unit 1702 & 1703, Century Center, No. 50 Minzu Road, Siming District, Xiamen City	Ding Fuyun	
261	Xiamen Jiahe Street Securities Branch	The 5th Floor, Block C New Jingyuan Center, No. 25, Jiahe Road, Siming District, Xiamen city	Zeng Wenqing	
262	Xiamen Tongan Xiangping Securities Branch	Block 6, No. 72, Xiqiao Road, Xiangping Street, Tongan District, Xiamen City	Wei Xiangfei	
263	Xiamen Honglian Road Securities Branch	Unit 102, No. 17 Honglian Road, Siming District, Xiamen City	Yan Dongsheng	Newly opened in 2017
264	Xiamen Haitian Road Securities Branch	Unit 7, No. 55 Haitian Road, Huli District, Xiamen City	Sun Shuling	Newly opened in 2017
265	Xiamen Tapu East Road Securities Branch	Room 102, No. 171 Tapu East Road, Siming District, Xiamen City	Wang Junzhao	Newly opened in 2017



No.	Securities Branches	Address	Person In Charge	Note
266	Nanchang Square East Street Securities Branch	No. 203, Square East Road, Nanchang City, Jiangxi Province	Jin Zicheng	
267	Nanchang Yanjiang Middle Street Securities Branch	Floor 3, Huacai Building, No. 019, Yanjiang Middle Road, Nanchang City, Jiangxi Province	Shuang Nianqun	
268	Ganzhou Dengfeng Avenue Securities Branch	Shops 7#, 8# and 9#, Block 5, Qidian New World, No. 19 Dengfeng Avenue, Zhanggong District, Ganzhou City, Jiangxi Province	Li Zhixue	
269	Shangrao Daihu Road Securities Branch	No.1-1, Block 2, No. 50 Daihu Road, Xinzhou District, Shangrao City, Jiangxi Province	Wang Jianhong	
271	Yudu Lianxi Road Securities Branch	12-1#109, Xuefu Commercial Street, Lianxi Road, Gongjiang Town, Yudu County	Xie Jian	
272	Nanchang Liantang Securities Branch	No. 888 Lianxi Road, Liantang Town, Nanchang County, Nanchang City, Jiangxi Province	Peng Jian	Newly opened in 2017
273	Pingxiang Shaoshandong Road Securities Branch	Room 109-112, Block 1, Kaixuan Shangri, No. 789 Shaoshandong Road, Anyuan District, Pingxiang City, Jiangxi Province	Li Jin	Newly opened in 2017
270	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	
287	Qingdao Nanjing Road Securities Branch	No.100E, Nanjing Road, Shinan District, Qingdao City	Liu Xiaoyong	
288	Qingdao Hong Kong West Road Securities Branch	No. 22, Xianggang West Road, Shinan District, Qingdao City	Jia Kaizhou	
290	Qingdao Qinling Road Securities Branch	No. 107, Tower House, Haiyun Dongfang Building, No. 15, Qinling Road, Laoshan District, Qingdao City, Shandong Province	Ma Yong	
289	Qingdao Development Zone Securities Branch	Room 201, Building No. 1, Block 27, No. 157 Dongjiang Road, Huangdao District, Qingdao City, Shandong Province	Zou Haimiao	
274	Yantai Securities Branch	No.175, Xinanhe Road, Yantai City, Shandong Province	Zhang Huasheng	



No.	Securities Branches	Address	Person In Charge	Note
275	Jinan Jingqi Street Securities Branch	No. 83, Jingqi Road, Jinan City, Shandong Province	Wu Yunpeng	
276	Zibo Linzi Street Securities Branch	No. 698, Linzi Street, Linzi District, Zibo City Shandong Province	Wu Tao	
278	Weifang Fushou West Securities Branch	No. 83, Fuzhou West Road, Weicheng District City, Weifang City, Shandong Province	Zhong Jian	
277	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	
279	Weihai Tongyi Road Securities Branch	No. 29-47, 49, Tongyi Road, Weihai City	Shao Renhang	
280	Dongying Fuqian Avenue Securities Branch	No. 84 Fuqian Avenue, Dongying District	Che Xiaoyu	
281	Rizhao Weihai Road Securities Branch	Room 102, 01 Unit, Block 1AB, B District, Xingye Xinyinghuafu, Weihai Road, Donggang District, Rizhao City, Shandong Province	Xing Lin	
282	Liaocheng Dongchang West Road Securities Branch	21 Dongchang West Road, Liaocheng	Wang Yongmei	
283	Jining Guanghe Road Securities Branch	Yinhe Building, No. 18 Guanghe Road, Jining City	Du Zhaohui	
284	Tai'an Changcheng Road Securities Branch	No. 09, Block 1, Dazhan Xincheng Guoji, West side of Beishou, Changcheng Road, Tai'an City	Lu Huawei	Newly opened in 2017
285	Dezhou University West Road Securities Branch	1-2/F, No. 2, Block 2, Huajin Garden, University West Road, Tianqu Sub-district Office, Decheng District, Dezhou City, Shandong Province	Wang Zheng	Newly opened in 2017
286	Binzhou Huanghe Fifth Road Securities Branch	No. 356 Huanghe Fifth Road, Bincheng District, Binzhou City, Shandong Province	Xin Tong	Newly opened in 2017
291	Qingdao Harbin Road Securities Branch	No. 204, Block 2, Commercial Building, No. 52 Harbin Road, Shibei District, Qingdao City, Shandong Province	Duan Zhiqiang	Newly opened in 2017
291	Qingdao Harbin Road Securities Branch	No. 204, Block 2, Commercial Building, No. 52 Harbin Road, Shibei District, Qingdao City, Shandong Province	Duan Zhiqiang	Newly opened in 2017



No.	Securities Branches	Address	Person In Charge	Note
292	Qingdao Jimo City Yanqing Road Securities Branch	No. 510 Yanqing Road, Jimo City, Qingdao City, Shandong Province	Du Weichao	Newly opened in 2017
292	Qingdao Jimo City Yanqing Road Securities Branch	No. 510 Yanqing Road, Jimo City, Qingdao City, Shandong Province	Du Weichao	Newly opened in 2017
293	Zhengzhou Nanyang Street Securities Branch	Heli Building, Attached No. 16, No. 76 Huanghe Road, Jinshui District, Zhengzhou City	Zhang Qingjun	
294	Zhengzhou Longhai Street Securities Branch	Floor 4, No. 59, Longhai Road, Zhengzhou City, Henan Province	Yang Mujun	
295	Zhengzhou Jiankang Street Securities Branch	No.168, Jiankang Road, Zhengzhou City, Henan Province	Wang Junzhao	
296	Zhengzhou Shanhe Securities Branch	No. 39, Weiwu Road, Jinshui District, Zhengzhou City, Henan Province	Ma Chaoqun	
297	Zhengzhou Jingsan Street Securities Branch	No. 85, Jingsan North Road, Zhengzhou City, Henan Province	Wang Chunxia	
298	Xuchang Xuji Avenue Securities Branch	No. 589, Xuji Avenue, Weidu District, Xuchang City	Pan Haixia	
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	Luoyang Jingyuan Road Securities Branch	108, Block 1, No. 99 Jingyuan Road, Xigong District, Luoyang City	Li Yang	
301	Ruzhou Securities Branch	No. 54 Chengyuan North Road, Ruzhou City, Henan Province	Fu Wei	Newly opened in 2017
302	Zhumadian Wenming Avenue Securities Branch	Northwest Corner of the Intersection of Fengze Road and Wenming Road, Zhumadian Development Zone	Zhang Chunsheng	Newly opened in 2017
303	Xinyang Beijing Road Securities Branch	Shop 108, 208 & 209, Block 9, Zhengtong Guihua Court, No.187 Beijing Road, Shihe District, Xinyang City	Lu Jie	Newly opened in 2017
306	Wuhan Aomen Street Securities Branch	Macau Ginza Phase II, No.123, Aomen Road, Jiangan District, Wuhan City, Hubei Province	Zhao Baohe	
304	Xiangyang Securities Branch	No. 31, Daiqing West Road, Fancheng District, Xiangyang City, Hubei Province	Yu Rongyan	



No.	Securities Branches	Address	Person In Charge	Note
305	Yichang New Century Securities Branch	No. 21, Yunji Road, Yichang City, Hubei Province	Gong Aiming	
307	Wuhan Zhongnan Road Securities Branch	No.456 (New Era Business Center), Wuluo Road, Zhongnan Road, Wuchang District, Wuhan City, Hubei Province	Zhang Zhiqiang	
308	Wuhan Wuluo Street Securities Branch	No. 2-3, 4/F, & No. 105, 1/F, Future Apartment, No. 668 Wuluo Road, Hongshan District, Wuhan City	Zuo Gang	
310	Wuhan Hanyang Securities Branch	13/F, Building No. 9 (Times Center), Block 9, 10 & 11, Lot B, Hanyang Renxinhui, No. 56 Longyang Avenue, Hanyang District, Wuhan City	Hu Junlin	
309	Jingmen Securities Branch	No.118, Xiangshan Street, Jingmen City, Hubei Province	Wang Wei	
311	Wuhan Xinhua Road Securities Branch	IFC, No. 296, Xinhua Road, Jianghan District, Wuhan City	LV Gang	
312	Wuhan Hanyang Street Securities Branch	Floor 2, Jinlong Garden No. 11, No. 642, Hanyang Street, Wuhan City	Dong Lintao	
313	Wuhan Jiyuqiao Securities Branch	Yuqiao New Building, No. 6 and 7 Annex Building, Jiyuqiao, Wuchang District, Wuhan City, Hubei Province	Zhang Qing	
314	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	
315	Zaoyang Xiangyang Street Securities Branch	No.16, Xiangyang Road, Zaoyang city, Hubei Province	Yuan Guanghui	
316	Shayang Hanjin Street Securities Branch	No. 53, Hanjin Road, Shayang County, Hubei Province	Ye Jun	
317	Wuhan Guanggu Securities Branch	No. 1077, Luoyu Road, Hongshan District, Wuhan City	Shen Bin	



<b>No.</b>	<b>Securities Branches</b>	<b>Address</b>	<b>Person In Charge</b>	<b>Note</b>
323	Shaoyang Hongqi Road Securities Branch	No. 460 Hongqi Road, Daxiang District, Shaoyang City, Hunan Province	Li Yalin	Newly opened in 2017
324	Huaihua Yingfeng West Road Securities Branch	No. 152 Yingfeng West Road, Hecheng District, Huaihua City, Hunan Province	Tan Gongxian	Newly opened in 2017
325	Changde Jianshe Road Securities Branch	Block 6, Hongxin Mingdu Taolin, No. 800 Jianshe Road, Jianmin Lane Community, Danyang Sub-district Office, Wuling District, Changde City, Hunan Province	Li Zhengjun	Newly opened in 2017
326	Hengyang Jiefang Avenue Securities Branch	1/F, Zijin Garden, No. 4 Jiefang Avenue, Hengyang High-tech Zone, Hunan Province	Feng Ling	Newly opened in 2017
327	Yueyang Jianxiang Road Securities Branch	Shop 1102, Tianlun International, No. 599 Jianxiang Road, Yueyanglou District, Yueyang City	Wei Hua	Newly opened in 2017
328	Zhongshan Securities Branch	No. 52, Sunwendong East Road, Shiqi District, Zhongshan City, Guangdong Province	Ruan Lianghui	
329	Guangzhou Tianhe North Street Securities Branch	Part of the 1st, 2nd and 3rd Floor, Guanghua Building, No. 90-108, Tianhe North Road, Tianhe District, Guangzhou City, Guangdong Province	Shi Nan	
331	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	
330	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	
332	Guangzhou Dongfeng West Street Securities Branch	Room 101 and 202, Educational Academic Center Building A, Guangzhou Medical School, No. 195, Dongfeng West Road, Yuexiu District, Guangzhou City	Zhang Haifang	
334	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	





No.	Securities Branches	Address	Person In Charge	Note
333	Foshan Securities Branch	No. 2, Renmin West Road, Shancheng District, Foshan City, Guangdong Province	Wu Hui	
335	Shantou Jinsha Road Securities Branch	Floor 10, No. 97, Jinsha Road, Shantou City, Guangdong Province	Huang Shaoyong	
338	Shantou Songshan Road Securities Branch	No. 89, Songshan Road, Shantou, Guangdong Province	Chen Chengtong	
337	Shantou Chenghai Securities Branch	Floors 1 to 4, Jingtai Plaza, Block C21, Huijing Garden, Chenghai District, Shantou City	Chen Zhihua	
339	Dongguan Dongcheng Central Road Securities Branch	701 and 702, Junhao Business Centre, Dongcheng Central Road, Gangbei, Dongcheng Street, Dongguan, Guangdong Province	Zeng Jun	
336	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	
340	Guangzhou Huanshi East Road Securities Branch	No. 336, 3/F, Huanshi East Road, Yuexiu District, Guangzhou City	Xu Bier	
341	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	
342	Guangzhou Huaxia Road Securities Branch	Units 02-04A (self-made number), 24/F, Yajule Centre, 26 Huaxia Road, Tianhe District, Guangzhou	Xiong Wenfeng	
347	Shantou Hanjiang Street Securities Branch	No.1, Hanjiang Road, Shantou City, Guangdong Province	Lan Jiekai	
344	Zhongshan Xiaolan Zijin East Road Securities Branch	B Unit, 2/F, No. 70 Xiaolan Zijin East Road, Zhongshan City, Guangdong Province	Wei Ye Shaowen	
345	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	



No.	Securities Branches	Address	Person In Charge	Note
346	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	
348	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	
349	Shantou Chaoyang Securities Branch	No. 36, Dongshan Street, Chaoyang District, Shantou City, Guangdong Province	Cai Baodong	
350	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	
351	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	
352	Huizhou Wenming 1st Street Securities Branch	908-912 Unit, Floor 9, Fushen Building, No. 9, Jiangbei Wenming Road, Huicheng District, Huizhou City	Dong Xinxing	
343	Guangzhou Guangzhou Avenue Central Securities Branch	Room 2502, North Tower, No. 988 Guangzhou Avenue Central, Tianhe District, Guangzhou City (For office only)	Wang Anyuan	
355	Guangzhou Panyu Wanbo Fourth Road Securities Branch	301-1, Block 2, No. 42 Wanbo Fourth Road, Nancun Town, Panyu District, Guangzhou City	Liang Jian	
354	Guangzhou Yuejiang Central Road Securities Branch	Room 106, No. 686, Yuejiang Central Road, Haizhu District, Guangzhou City	Cheng Shixuan	
358	Guangzhou Huacheng Avenue Securities Branch	1/F (Portion: a unit of Room 103 (self-numbered)), No. 665 Huacheng Avenue, Tianhe District, Guangzhou City	Cao Wuquan	
357	Guangzhou Airport Road Securities Branch	Room 106A, No. 585 Airport Road, Baiyun District, Guangzhou City (For office only)	Dong Siyi	



No.	Securities Branches	Address	Person In Charge	Note
360	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	
361	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	
366	Jiangmen Development Avenue Securities Branch	Room 1201-1204, Block 1, Jiangmen Wanda Plaza, Pengjiang District, Jiangmen City, Guangdong Province	Yang Jie	
362	Qingyuan Lianjiang Road Securities Branch	Cart 9, 10, 4/F, No.13 Commercial Building, Xincheng East Second District, Qingyuan City	Cai Yanfen	
368	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	
363	Guangzhou Fangcun Avenue West Securities Branch	1/F, 2/F, No. 295 Fangcun Avenue West, Liwan District, Guangzhou City	Deng Qingcong	
365	Meizhou Yanjiang West Road Securities Branch	No. 32, Yanjiang West Road, Meizhou City, Guangzhou Province	Sima Wanxia	
353	Chaozhou Chaofeng Road Securities Branch	Shop 03, 1/F, Chen Zhongming Tower, South of Middle Chaofeng Road, Chaozhou City, Guangdong Province	Li Hao	
364	Guangzhou Dasha East Road Securities Branch	Shops 101 and 102, 205 Dasha East Road, Huangpu District, Guangzhou	Yang Haiyan	
367	Guangzhou Zengcheng Licheng Street Securities Branch	Room 1001, No. 20, Minle Road, Licheng Street, Zengcheng, Guangzhou City	Wen Bin	
359	Guangzhou Binjiang East Road Securities Branch	Room 101, No. 554-3, Binjiangdong Road, Haizhu District, Guangzhou City	Chen Xiongwen	
356	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	
369	Zhanjiang Lianjiang Huanshi North Road Securities Branch	No. 66, Lianjiang Huanshi North Road, Zhanjiang City, Guangdong Province	Luo Yufeng	



No.	Securities Branches	Address	Person In Charge	Note
370	Foshan Shunde Longjiang Donghua Road Securities Branch	Shop 76-77, Bao Li Jia Yuan, No. 23 Donghua Road, Xixi Community Residence Committee, Longjiang Town, Shunde District, Foshan City, Guangdong Province	Chen Shaoyu	
372	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	
374	Zhanjiang Renmin Avenue Central Securities Branch	Shop 05, 1/F, Chengshi Shangpin Building, 40 Renmin Avenue Central, Zhanjiang Development Zone	Qiu Meiyang	
371	Zhanjiang Guanhai North Road Securities Branch	House 21, 1/F, Block 2, 3, 4, 5, Zhanjiang Bin Hai Yuan, No. 1 Guanhai North, Chikan District, Zhanjiang City	Guan Shaoxia	
375	Foshan Nanzhuang Dijing North Road Securities Branch	P1, 1/F, District 3, No. 16 Dijing North Road, Shichian Town, Foshan City	Liang Yusheng	
373	Zhongshan Cuiling Road Securities Branch	Cart 17, 2/F, Block 1, Tian Qing Hui Fu, No. 2 Cuiling Road, Huoju Development Zone, Zhongshan City	Chen Hao	
376	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	
377	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	
378	Zhongshan Sanxiang Jingguan Avenue Securities Branch	Cart 48, Jing Guan Hao Ting, No. 2 Jingguan Avenue, Sanxiang Town, Zhongshan City	Ning Shaojun	
379	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	
380	Heyuan Yuewang Avenue Securities Branch	Shops 45 & 46, Huayi Court, Guangcheng Zhongyuan Square, No. 102 Yuewang Avenue, Yuancheng District, Heyuan City	Zeng Yufeng	Newly opened in 2017
381	Huizhou Danshui Securities Branch	Shops 11, 12 & 13, 2/F, Block 3, Enswan Business Culture Center, Danshui Tuhu Liuwubei, Huiyang District, Huizhou City	Ruan Bike	Newly opened in 2017



No.	Securities Branches	Address	Person In Charge	Note
382	Zhongshan Xingwen Road Securities Branch	Unit 50, 1/F, Block 7-12, Dijing Dongfang Garden, 13 Xingwen Road, East District, Zhongshan City	Wan Canrong	Newly opened in 2017
383	Dongguan Dongjun Road Securities Branch	Shops A102 & A103, Dongjun Haoyuan Phase I, No. 28 Dongjun Road, Hongtu Community, Nancheng Sub-district, Dongguan City	Lin Qingcai	Newly opened in 2017
384	Shaoguan Jiaoyu Road Securities Branch	Shops 14-18, Hongye Youshan Meidi Garden, No. 279 Kangle Village, Jiaoyu Road, Wujiang District, Shaoguan City	Zhou Qinghua	Newly opened in 2017
385	Foshan Shunde Yixing Road Securities Branch	Zone A4, 1/F, Yingfeng Center, No. 8 Yixing Road, Xincheng District, Beijiao Town, Shunde District, Foshan City	Chen Lijian	Newly opened in 2017
318	Changsha Furong Middle Street Securities Branch	No. 275, 2nd of Furong Middle Road, Changsha City	Zou Wenchao	
319	Loudi Yuetang Street Securities Branch	3rd Floor, Building E, Anshi Group, Anshi Square, Yuetang Street, Louxing District, Loudi City, Hunan Province	He Boyuan	
322	Zhuzhou Tianyuan Huangshan Road Securities Branch	Room 207, 107, Block 6, Hua Chen Yu Yuan, Huangshan Road, Tianyuan District, Zhuzhou City	Tang Yingbiao	
321	Xiangtan Furong Central Road Securities Branch	No. 0101004 Zhongyi International, No. 52 Furong Central Road, Baota Streets, Yuetang District, Xiangtan City	Feng Jun	
386	Shenzhen Shennan Avenue Securities Branch	Unit 1701-01, Block A, Jingji 100 Building, No. 5016 Shennan East Road, Luohu District, Shenzhen City	Lin Jianmin	
387	Shenzhen Jingtian Securities Branch	2/F, Saigejingyuan Building, 17 West Jingtian Road, Futian District, Shenzhen City	Lin Yibin	
389	Shenzhen Haide 3rd Avenue Securities Branch	Unit 2908-2910 & 2912, 29th Floor, West Hai'an Building, Haide 3rd Road, Yuehai Sub-district, Nanshan District, Shenzhen City	Gong Dejun	
388	Shenzhen Fuhua First Road Securities Branch	2701, 2713-2720, 27/F, Zhongxin Business Building, 88 Fuhua 1st Road, Futian District, Shenzhen City	Hu Xuemei	



<b>No.</b>	<b>Securities Branches</b>	<b>Address</b>	<b>Person In Charge</b>	<b>Note</b>
390	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	
391	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	
392	Shenzhen Xianglin Road Securities Branch	701, 702, 703, 705, 706, Fuchun Oriental Building, Xianglin Road, Futian District, Shenzhen City	Zhou Fangyu	
393	Shenzhen Longhua Securities Branch	305 and 306, Henghe International Building, Donghuan 1st Road, Longhua Street, Longhua New District, Shenzhen	Yin Xinmin	
396	Shenzhen Yinhu Road Securities Branch	East Wing, Floor 2, Yinhu Restaurant, No. 38, Yinhu Road, Qingshuihe Street, Luohu District, Shenzhen	Chen Xinghua	
395	Shenzhen Fuyong Avenue Securities Branch	Floor 4, Zhengfeng Building, No.7, Fuyong Avenue, Fuyong Street, Bao'an District, Shenzhen	Dai Hui	
394	Shenzhen Longxiang Avenue Securities Branch	Room 0211-0214, Ziwei Court Clubhouse, Ziwei Garden, No. 7097 Longxiang Avenue, Longcheng Sub-district, Longgang District, Shenzhen City	Zhou Lijun	
398	Shenzhen Pingshan Kengzi Xinfu Street Securities Branch	302, No. 36 Xinfu Street, Kengzi Office, Pingshan New District, Shenzhen City	Liu Jianrong	
397	Shenzhen OCT Securities Branch	101D, Podium, Hubin Garden City, Overseas Chinese Town, Nanshan District, Shenzhen City	Yang Haoyuan	
399	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	
400	Shenzhen Qianhai Securities Branch	Unit 605, 6/F, Block 8, One Excellence, No. 5033 Monheit Avenue, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen	Mo Guiyong	Newly opened in 2017



<b>No.</b>	<b>Securities Branches</b>	<b>Address</b>	<b>Person In Charge</b>	<b>Note</b>
401	Shenzhen Bao'an Haixiu Road Securities Branch	No. 3-49, Block 2, Tower B, Logan Century Center, No. 23 Haixiu Road, Xin'an Sub-district, Bao'an District, Shenzhen	Mei Jialin	Newly opened in 2017
402	Shenzhen Guangming Securities Branch	No. A25 & A26, Block 1, North Zone, Fuying Zhongyang Mountain Garden, Zhenming Road, Gongming Sub-district, Guangming New Area, Shenzhen	Liang Shuoting	Newly opened in 2017
403	Shenzhen Bantian Securities Branch	No. 201, 2/F, Tower D, Galaxy WORLD, No. 1 Yabao Road, Bantian Sub-district, Longgang District, Shenzhen	Li Kaien	Newly opened in 2017
404	Nanning Yuan, Hunan Road Securities Branch	No.12-2 Yuanhu South Road, Nanning City, Guangxi Province	Huang Jianhua	
405	Guilin Middle Zhongshan Road Securities Branch	8/F, South Tower, Bagui Building, 47 Middle Zhongshan Road, Xiufeng District, Guilin City, Guangxi Province	Li Jiaping	
406	Liuzhou Youyi Road Securities Branch	Room 2-2, Youyiguoji, 11th Building, No. 4 Youyi Road, Liuzhou City	Li Zhirong	
407	Hezhou Jianshe Middle Road Securities Branch	Shop on 1/F, Block A, No. 31, Middle Jianshe Road, Babu District, Hezhou City, Guangxi	Zhou Lisi	
408	Yulin Guangchang East Road Securities Branch	No. 139, Guangchang East Road, Yuzhou District, Yulin City, Guangxi	Yang Zhenghao	
409	Haikou Binhai Avenue Securities Branch	1&13/F, Qiongtai Building, 83 Binhai Avenue, Haikou City	Wen Yongchun	
410	Sanya Yingbin Road Securities Branch	2/F, Shop 3, Zone 5, Shanshui Tianyu community, Yinbin Road, Jiyang District, Sanya, Hainan Province	Chen Weihong	
411	Chongqing Mixc Securities Branch	No. 2-1, Block 26, No. 55 Xiejiawan Main Street, Jiulongpo District, Chongqing City	Cao Yi	
412	Chongqing Minzu Road Securities Branch	3/F, Block B, 108 Minzu Road, Yuzhong District, Chongqing City	Liu Hengyuan	



No.	Securities Branches	Address	Person In Charge	Note
413	Chongqing Jiangjin Securities Branch	Unit 3-1 Block 1, Xiangrui Building, No. 518 Dingshan Road, Dingshan Subdistrict, Jiangjin District, Chongqing City	Liu Yu	
414	Chongqing East Jianxin Road Securities Branch	2/F, Baiyexing Building, No. 3 East Jianxin Road, Jiangbei District, Chongqing City	Liu Yu	
415	Chongqing Jiangnan Avenue Securities Branch	Room 5-1, Chengshizhiguang Building, No.19 Jiangnan Avenue, Nanping Subdistrict, Nan'an District Chongqing City	Tang Hewen	
416	Chongqing Yinhua Road Securities Branch	1/F, Qinianyuecheng 7th Building, No. 166 Yinhua Road, Longshan Subdistrict, Yubei District, Chongqing City	Ge Ning	
419	Chongqing Ruitian Road Securities Branch	No. 182-18, Ruitian Road, Yuzhong Road, Chongqing City	Liu Kai	
418	Chongqing Songqing Road Securities Branch	No. 1-1-138, No. 18 Cuiyun Street, No. 1048 Songqing Road, Chunhui Road Streets, Dadukou District, Chongqing City	Xiong Qiao	
417	Chongqing Shanan Street Securities Branch	South Garden-5, Nankai Commercial Street, No. 1 Shanan Street, Shapingba District, Chongqing City	Yan Huaqiao	
420	Chongqing Banan District Securities Branch	Annex No. 4-6, No. 241 Yunan Avenue, Banan District, Chongqing City	Zhang Shuobin	Newly opened in 2017
421	Chongqing Wanzhou Securities Branch	No. 83 Gaosuntang, Wanzhou District, Chongqing City	Fu Xiangyang	Newly opened in 2017
422	Chengdu Jianshe Road Securities Branch	No. 9 Jianshe Road, Chenghua District, Chengdu City	Zhang Zhiqiang	
423	Chengdu North Kehua Road Securities Branch	No.139, North Kehua Road, Chengdu City, Sichuan Province	Wang Hong	
424	Chengdu North 2nd Huan Road Securities Branch	No.8, North Section 1, 2nd Huan Road, Chengdu City	Li Hui	
425	Chengdu Chengfei Avenue Securities Branch	2/F, No. 123 Jingyi Road, Chengfei Avenue, Jingyi Road, Qingyang District, Chengdu City	Xu Ziqin	
426	Meishan Renshou Guangming Road Securities Branch	No. 389, Section 2 of Guangming Road, Wenlin Town, Renshou County	Liu Xiaobin	





No.	Securities Branches	Address	Person In Charge	Note
427	Chengdu South Renmin Road Securities Branch	No. 201, 2/F, Unit 1, Block 1, No. 555 Yizhou Avenue Middle Section, Hi-tech Zone, Chengdu City	Xu Cheng	
428	Chengdu Shuangliu Yingchun Road Securities Branch	No. 66, Section 4 of Yingchun Road, Dongsheng Street, Shuangliu County, Chengdu City, Sichuan Province	Chen Qiang	
429	Bazhong Yuntai Street Securities Branch	Shop 1-6, 1-7, Shizhongxing Complex, Jiangbei Avenue, Bazhong City, Sichuan Province	Lin Hai	
430	Leshan Renmin South Road Securities Branch	No. 210, No. 212 Renmin South Road, Shizhong District, Leshan City	Chen Jun	
431	Mianyang Yuejin Road Securities Branch	No. 1-4, 5/F, Unit 3, Block 26, Changhong International, No. 6 Yuejin Road, Fucheng District, Mianyang City	Cao Xi	
432	Neijiang Yuxi Road Securities Branch	No. 147, No. 149, No. 151, Yuxi Road, Shizhong District, Neijiang City, Sichuan Province	Lin Hong	
433	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	
434	Chengdu Wenjiang Wenhua Road Securities Branch	No. 22, 1/F, Block 15, No. 1 Wenhua Road, Liucheng, Wenjiang District, Chengdu	Wang Wei	Newly opened in 2017
435	Chengdu Longquanyi Longdu South Road Securities Branch	No. 1,2 & 3, 2/F, No. 4 Longdu South Road, Longquan Sub-district, Longquanyi District, Chengdu City, Sichuan Province	Ji Xingzhao	Newly opened in 2017
436	Chengdu Wuyang Avenue Securities Branch	1/F, No. 65 & 67 Wuyang Avenue Section 3, Wuhou District, Chengdu	Hu Ke	Newly opened in 2017
437	Guiyang Changling North Road Securities Branch	12, 13, 14 and 15, 20/F, Block 5, Commercial Area, Guiyang International Financial Centre, Northwest corner of Lincheng Road and Changling Road, Guanshanhu District, Guiyang City, Guizhou Province	Luo Wei	
438	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	



No.	Securities Branches	Address	Person In Charge	Note
439	Zunyi Kunming Road Securities Branch	No. 304, 3/F, No. 10 (Hall A) Weiyi Guoji, Kunming Road, Huichuan District, Zunyi City, Guizhou Province	Luo Rongbang	Newly opened in 2017
440	Kunming Baita Road Securities Branch	393 Baita Road, Kunming City, Yunnan Province	Chen Peng	
441	Kunming West Dongfeng Road Securities Branch	9/F, Shunchengdongta Building, 11 West Dongfeng Road, Kunming City, Yunnan Province	Qi Wei	
442	Kunming Minhang Road Securities Branch	Unit 7-A, Tower A, Yunnan Chengtuo Building, 400 Minhang Road, Guandu District, Kunming City	Xiao Peng	
443	Yiliang Huayuan Street Securities Branch	2/F, Block 6, Vision City Plaza, Huayuan Street, Yiliang County, Kunming City, Yunnan Province	Shen Yanbin	
444	Chuxiong Lucheng South Road Securities Branch	No. 44, Lucheng South Road, Chuxiong, Chuxiong Prefecture, Yunnan Province	Wei Heming	
446	Mojiang Twins Avenue Securities Branch	Shop 4-e, 1/F, Unit 3, Xingyujinyue Garden, Twins Avenue, Moon Plaza, Mojiang County, Pu'er City, Yunnan Province	Lu Rongyi	
445	Qujing Jiaotong Road Securities Branch	No. 189, Jiaotong Road, Qilin District, Qujing City, Yunnan Province	Li Wanjiang	
447	Hekou Fuan Road Securities Branch	No. 3, Block 22, Beishan New District, Hekou County, Honghe Prefecture, Yunnan Province	Guan Zhimeng	
448	Xi'an East Youyi Road Securities Branch	No. 51, East Youyi Road, Xi'an, Shaanxi City	Liu Yuenian	
449	Xi'an Heping Road Securities Branch	Jiateng Building, No. 112, Heping Road, Beilin District, Xi'an City	Wang Juan	
451	Weinan Chaoyang Street Securities Branch	No. 2, Chaoyang Street, Linwei District, Weinan City	Zhang Yong	
450	Baoji Gaoxin Avenue Securities Branch	No. 59, Gaoxin Avenue, Baoji City, Shaanxi	Zhao Liang	
452	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	



No.	Securities Branches	Address	Person In Charge	Note
453	Lanzhou Qingyang Road Securities Branch	No. 77, Qingyang Road, Chengguan District, Lanzhou, Gansu Province (3&4/F, Bikexin Building)	Ning Zhiyong	
454	Baiyin Hongxing Road Securities Branch	Room 5-01 (5/F, Jinghong Jiahua Hotel), Block 7, No. 280 Hongxing Road, Baiyin District, Baiyin City, Gansu Province	Fang Peng	
455	Pingliang East Main Street Securities Branch	No. 24 East Main Street, Kongdong District, Pingliang City, Gansu Province	Hao Qiang	Newly opened in 2017
456	Jiuquan Xiuyuan Road Securities Branch	Block 4, North Zone, Xinxin Garden, No. 1 Xiuyuan Road, Suzhou District, Jiuquan City, Gansu Province	Wang Li	Newly opened in 2017
457	Xining Changjiang Road Securities Branch	No. 106 Changjiang Road, Xining City, Qinghai Province	Feng Qing	
458	Xining West Street Securities Branch	4/F, Xingwang Building, No. 30 West Street, Chengzhong District, Xining, Qinghai Province	Wang Xin	
459	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	
460	Xining Xiadu Avenue Securities Branch	No. 220 Xiadu Avenue, Chengdong District, Xining City	Zhang Longlong	Newly opened in 2017
461	Yinchuan Jiefang West Securities Branch	No. 126, West Jiefang Road, Xingqing District, Yinchuan City	Chen Shining	
462	Shizuishan Chaoyang West Street Securities Branch	No. 1, Chaoyang West Street, Shizuishan, Ningxia	Chen Guang	
463	Wuzhong Wuling West Road Securities Branch	No. 231 & 233 Wuling West Road, Litong District, Wuzhong City, Ningxia	Song Jie	Newly opened in 2017
464	Zhongwei Gulou East Street Securities Branch	No. 25, 2/F, Block C, National Entrepreneurship City, No. 280 Gulou East Street, Shapotou District, Zhongwei City, Ningxia Hui Autonomous Region	Fan Xiaoning	Newly opened in 2017
465	Urumqi Jiefang North Road Securities Branch	No. 90&112, North Jiefang Road, Tianshan District, Urumqi City	Kong Lingguo	
466	Hami Zhongshan North Road Securities Branch	No. 17, Zhongshan North Road, Hami City, Hami District, Xinjiang	Zhang Jun	



<b>No.</b>	<b>Securities Branches</b>	<b>Address</b>	<b>Person In Charge</b>	<b>Note</b>
467	Changji Securities Branch	No. 38, Yan'an North Road, Changji City, Changji, Xinjiang (Block 12, Qiu 2, District 1)	Jiang Yuliang	
468	Yining City Shandong Road Securities Branch	Room 202, Block 3, Zone D, Yingjian Wutong Lijing, No. 219 Shandong Road, Yining Economic Cooperation Zone, Ili Prefecture, Xinjiang	Liu Junzheng	Newly opened in 2017
469	Aksu South Avenue Securities Branch	7/F, No. 2 South Avenue, Aksu City, Aksu Prefecture, Xinjiang	Luo Yi	Newly opened in 2017
470	Lhasa Chaoyang Road Securities Branch	No. 2, Chaoyang Road, Taiyang Island, Lhasa City	Li Zexiao	



## APPENDIX II: INFORMATION ON BRANCH OFFICES

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



<b>Branches</b>	<b>Address</b>	<b>Person In Charge</b>	<b>Date of incorporation shown on business license</b>	<b>First date of obtaining licence</b>	<b>Working Capital (RMB)</b>	<b>Telephone</b>
Jilin Branch	Nanhu Road Comprehensive Building, No. 1999 Nanhu Road, Nangan District, Changchun	Zhao Yubo	19 March 2013	3 May 2013	5 million	0431-82707737
Inner Mongolia Branch	Huamenshijia, 78 East Xinhua Street, Saihan District, Hohhot, Inner Mongolia	Yao Jianxun	15 March 2013	3 May 2013	5 million	0471-4955414
Chongqing Branch	15/F, No. 101 Minzu Road, Yuzhong District, Chongqing	Cao Yi	18 March 2013	3 May 2013	5 million	023-88128880
Hubei Branch	Room One, 2/F, West Wing, New Times Business Center, No. 456 Wuluo Road, Wuchang District, Wuhan	Luo Xuekui	12 March 2013	3 May 2013	5 million	027-87841733
Hebei Branch	No. 98 Hongqi Avenue, Zhuangqiaoxi District, Shijiazhuang	Zhao Yongwei	20 March 2013	18 April 2013	5 million	0311-83038259
Xiamen Branch	West Wing, 2/F, No.18, Meirenxincun, Siming District, Xiamen	Zhou Lianyuan	21 March 2013	3 May 2013	5 million	0592-2224473
Heilongjiang Branch	5/F, No. 252, Zhongshan Road, Nangang District, Harbin	Li Naichen	25 March 2013	3 May 2013	5 million	0451-53905558
Liaoning Branch	Unit 17-3, No. 59 Beizhan Road, Shenhe District, Shenyang	Yuanbing	27 March 2013	3 May 2013	5 million	024-23250200
Anhui Branch	No. 57 Changjiang Middle Road, Luyang District, Hefei	Cheng Lesan	22 March 2013	3 May 2013	5 million	0551-62609271
Sichuan Branch	Room 401, 4/F, 1st Building, No. 9 Jianshe Road, Chenghua District, Chengdu	Zhang Zhiqiang	21 March 2013	3 May 2013	5 million	028-81148165
Shandong Branch	No. 175 Xinanhe Road, Zhifu District, Yantai	Zhang Huasheng	29 March 2013	3 May 2013	5 million	0535-6620358
Fujian Branch	No.1 Shop, 2/F, 1st Building, Fuzhou Jiyou Plaza, No. 39 Fuma Road, Shuibu Subdistrict, Gulou District, Fuzhou	Huang Feilong	2 April 2013	3 May 2013	5 million	0591-88086506
Jiangxi Branch	6/F, No. 203 East Guangchang Road, Nanchang	Yu Genping	2 April 2013	3 May 2013	5 million	0791-86283972
Qingdao Branch	No. 100E, Nanjing Road, Shinan District, Qingdao	Liu Xiaoyong	15 April 2013	3 May 2013	5 million	0532-82962152
Shaanxi Branch	2/F, Commercial Building of China Railway Group, No. 51, East Youyi Road, Beilin District, Xi'an	Liu Yuenian	24 April 2013	15 May 2013	5 million	029-87884455
Xinjiang Branch	No. 90, Jiankang Road, Jiefang North Road, Tianshan District, Urumqi, Xinjiang	Kong Lingguo	15 May 2014	9 June 2014	5 million	0991-2352257



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



For more information, please refer to :