



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 | 2020

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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 for and traded in Renminbi
“Articles 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
“CG Code”	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Stock Exchange Listing Rules
“Company”, “we” or “us”	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)
“CSRC Beijing Bureau”	China Securities Regulatory Commission Beijing Bureau
“Directors”	the directors of the Company
“End of the Reporting Period”	31 December 2020
“ETF”	exchange-traded funds
“FOF”	fund of funds, a fund with funds as investment objectives
“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, 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 holds 51.16% 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, 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 100% by the Company, a 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, a wholly-owned subsidiary of the Company
“Galaxy Investment”	China Galaxy Investment Management Company Limited (中國銀河投資管理有限公司), owned as to 100% by Galaxy Financial Holdings, a wholly-owned subsidiary of Galaxy Financial Holdings
“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, a wholly-owned subsidiary of the Company
“Galaxy Yuanhui”	Galaxy Yuanhui Investment Co., Ltd. (銀河源匯投資有限公司), owned as to 100% by the Company, 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 subscribed for and traded in HK dollars
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“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 69.07% of Galaxy Financial Holdings
“IPO”	Initial Public Offering
“margin and securities refinancing”	a business in which securities firms can act as intermediaries to borrow funds or securities from the China Securities Finance Co., Ltd. and lend such funds and securities to their clients
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Companies 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 2020 to 31 December 2020

DEFINITIONS

“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Committee of the State Council (國務院國有資產監督管理委員會)
“Securities Law”	the Securities Law of the People’s Republic of China
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“S\$” or “Singapore dollar”	Singapore dollars, the lawful currency of Singapore
“SHCI”	the Shanghai Composite Index
“SSE”	the Shanghai Stock Exchange
“SSE Listing Rules”	the Rules Governing the Listing of Securities on the SSE (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
“US\$” or “U.S. dollars” or “USD”	United States dollars, the lawful currency of the United States
“VaR”	Value at Risk (VAR), means the maximum possible loss of a financial asset or portfolio of securities in a given future period at a certain confidence level

Notes:

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

SECTION I IMPORTANT NOTES

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

This report has been approved at the 66th meeting of the 3rd session of the Board of Directors, with 8 Directors attended and voted at the meeting. No objection was put forward by Directors and Supervisors for this report.

The financial report for 2020 was prepared by the Company according to the International Financial Reporting Standards (“IFRS”) and the PRC Corporate Accounting Standards (“PRC GAAP”), which has been audited by Ernst & Young and Ernst & Young Hua Ming LLP and they have issued a standard auditors’ report with unqualified opinions. Unless otherwise stated, the amounts in this report are presented in RMB.

Mr. Chen Gongyan, the chairman of the Company, Mr. Chen Liang, vice chairman and president, Mr. Wu Chengming, person in charge of the accounting affairs, hereby confirm that the financial report as disclosed in this report is 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 significant 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 policies; 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 transformation, 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

English Name: China Galaxy Securities Co., Ltd.

Abbreviation of English name: CGS

2. Legal representative: Chen Gongyan

General manager (president): Chen Liang

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

Net Capital: RMB70,522,133,720.18

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 book builder for offline placements
- (12) Qualified block-trader of SZSE
- (13) Qualified block-trader of SSE
- (14) Qualified electronic platform of SSE for IPO offline subscription

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

- (15) Qualified electronic platform of SZSE for EIPO offline issue
- (16) Primary dealer at SSE for fixed income integrated system
- (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 SSE dealer-quoted bond repurchase business
- (24) Member of the China Fund 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 equity funds
- (37) Qualification for chief agency broker in national share transfer system
- (38) Qualification for engagement in interest swap business
- (39) Authorized for dealer-quoted securities repurchase business transactions (approved by the SSE)

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

- (40) Authorized for dealer-quoted securities repurchase transactions (approved by the SZSE)
- (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 private equity fund manager
- (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

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

- (65) Authorized for Hong Kong Stock Connect business transactions under the Shenzhen-Hong Kong Stock Connect
- (66) Qualification for sales of precious metal products
- (67) Qualification for commodity swap dealers
- (68) Qualification for crude oil futures business
- (69) Qualification for pilot cross-border business
- (70) Qualification for non-equity return swaps business
- (71) Qualification for SSE bond pledge agreed repurchase
- (72) Qualification for SSE listed fund primary market-maker
- (73) Qualification for national debts and futures market-maker
- (74) Qualification for credit derivative business
- (75) Qualification for SZSE stock options trading participant
- (76) Qualification for pilot fund investment advisory business
- (77) Proprietary Trading for Gold Spot Contract
- (78) Qualification for Credit Protection Certificate Creation Institution (SSE)
- (79) Qualification for Science and Technology Innovation Board securities refinancing business
- (80) Qualification for GEM securities refinancing business

5. Headquarters in the PRC

- Registered address : 2-6/F, Tower C, Corporate Square, 35 Finance Street, Xicheng District, Beijing, the PRC, 100033
- Office address : Qinghai Finance Building, Building No.1, No. 8 Xiyong Street, Fengtai District, Beijing, the PRC, 100073
- Website of the Company : www.chinastock.com.cn
- Email address : zgyh@chinastock.com.cn

6. Principal Place of Business in Hong Kong

20th Floor, Wing On Centre, 111 Connaught Road Central, Sheung Wan, Hong Kong

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

7. Secretary to the Board

Secretary to the Board : Wu Chengming
Address : Qinghai Finance Building, Building No.1, No. 8 Xiyong Street, Fengtai District, Beijing, the PRC, 100073
Telephone : 010-80928338
Fax : 010-66568640
E-mail : wuchengming@chinastock.com.cn

8. Representative on Securities Matters

Representative on Securities Matters : Ke Suchun
Address : Qinghai Finance Building, Building No. 1, No. 8 Xiyong Street, Fengtai District, Beijing, the PRC, 100073
Telephone number : 010-86359022
Fax number : 010-66568640
E-mail : yhzd@chinastock.com.cn

9. Joint Company Secretaries

Wu Chengming, Lee Kwok Fai Kenneth

10. Authorized Representatives of the Company

Liu Dingping, Lee Kwok Fai Kenneth

11. Listing of H Shares: HKEX

Stock Code: 6881 Stock Name: CGS

12. Listing of A Shares: SSE

Stock Code: 601881 Stock Name: CGS

13. Disclosure of Information on A Shares and Place for Inspection

Name of media designated for information disclosure of the Company: 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: Qinghai Finance Building, Building No.1, No. 8 Xiyong Street, Fengtai District, Beijing, the PRC

14. Website for Disclosure of Information on 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 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 RMB6 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. (北京清源德豐創業投資有限公司) 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 the exercise of over-allotment option on 13 June 2013, there were 1,606,604,500 H Shares in issue, among which, 69,345,743 H Shares were sold by the National Council for Social Security Fund and the remaining 1,537,258,757 H Shares were new shares issued by the Company. The registered capital of the Company was increased to RMB7,537 million.

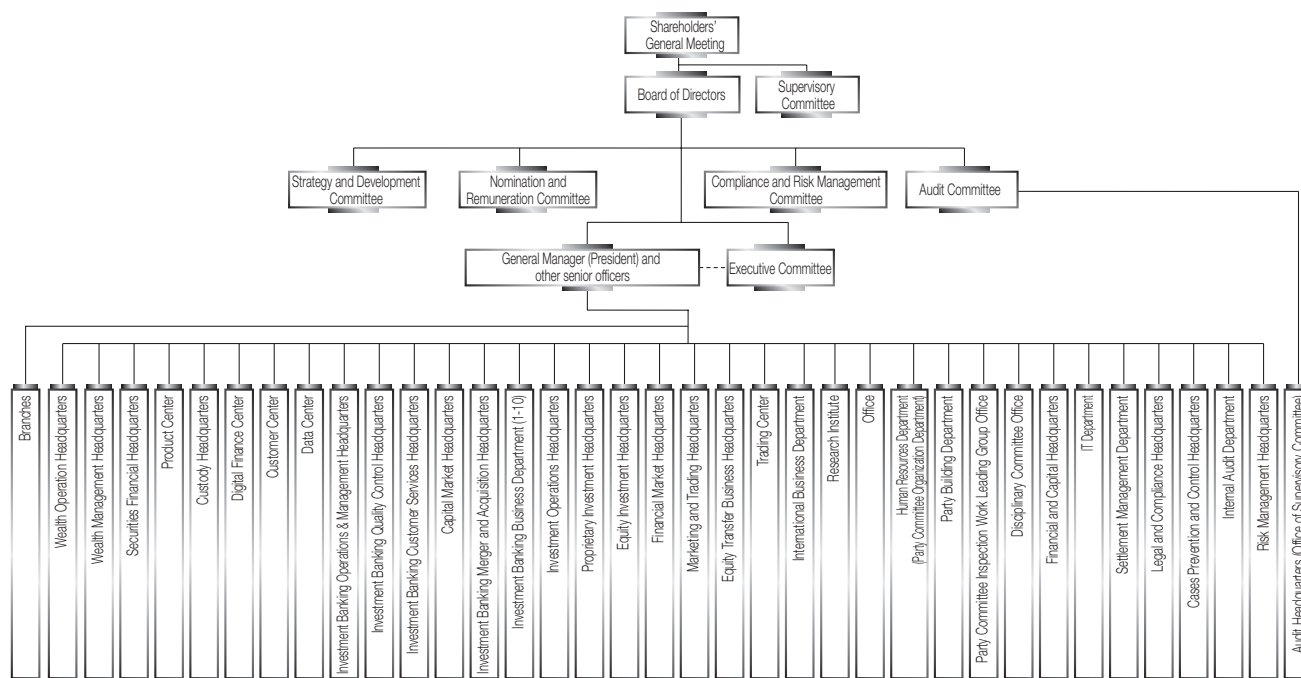
On 5 May 2015, the Company placed an aggregate of 2,000,000,000 H Shares and the total issued share capital of the Company was increased to RMB9,537 million.

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 and the Articles of Association, 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:



IV. NUMBER AND DISTRIBUTION OF SECURITIES BRANCHES

As at the End of the Reporting Period, the Company had 491 securities branches located in 31 provinces, autonomous regions and municipalities directly under the central government in the PRC. Among these branches, 79 are located in Guangdong Province, 67 in Zhejiang Province, 41 in Shanghai, 37 in Beijing, 32 in Jiangsu Province, 21 in Fujian Province, 20 in Shanxi Province, 19 in Shandong Province, 18 in Liaoning Province, 15 in Sichuan Province, 14 in Hubei Province, 14 in Anhui Province, 12 in Chongqing, 12 in Hunan Province, 12 in Henan Province, 9 in Hebei Province, 8 in Jiangxi Province, 8 in Heilongjiang Province, 7 in Yunnan Province, 6 in Shaanxi Province, 5 in Xinjiang Uygur Autonomous Region, 5 in Inner Mongolia Autonomous Region, 5 in Guangxi Zhuang Autonomous Region, 4 in Tianjin, 4 in Qinghai Province, 4 in Ningxia Hui Autonomous Region, 4 in Gansu Province, 3 in Jilin Province, 3 in Guizhou Province, 2 in Hainan Province and 1 in Tibet Autonomous Region.

Details of the securities branches of the Company are set out in Appendix.

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

V. SUBSIDIARIES AND BRANCHES

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

Name	Registered Address	Date of incorporation	Registered Capital	Legal Representative/ person in charge	Percentage of shareholding	Telephone
Galaxy Futures	Unit 1101, 11/F, Block 1, No. 16 Chaowai Street, Chaoyang District, Beijing	25 December 2006	RMB1.2 billion Note (2)	Yang Qing	100%	010-68569588
Galaxy Capital	2/F, Tower C, 1st Building, No. 35 Finance Avenue, Xicheng District, Beijing	21 October 2009	RMB1.0 billion Note (1)	Sun Jiao	100%	010-63369697
Galaxy International Holdings	20th Floor, Wing On Centre, 111 Connaught Road Central, Sheung Wan, Hong Kong	9 February 2011	HKD3.261 billion	Liu Hongye	100%	852-36986888
Galaxy Jinhui	Room 201, Block A, No.1, Qianwan Road 1, Qianhai Shenzhen – Hong Kong Cooperative District, Shenzhen (Shenzhen Qianhai Commerce Secretariat Co., Ltd.)	25 April 2014	RMB1.0 billion	Yin Yanwu Note (3)	100%	010-89623119
Galaxy Yuanhui	Room 3104, 31/F, 99 Fucheng Road, China (Shanghai) Pilot Free Trade Zone	10 December 2015	RMB3.0 billion	Wu Lihong	100%	021-60751758

Notes: (1) On 26 February 2019, the 48th meeting of the third session of the Board of Directors of the Company reviewed and approved the "Proposal on Reviewing the Capital Increase to Galaxy Capital". According to business development needs, it was agreed to increase capital in Galaxy Capital, and the registered capital increased from RMB1 billion to RMB1.5 billion. As at the End of the Reporting Period, the capital increase was still in progress.

(2) On 25 December 2020, the Board of Directors of the Company approved the "Proposal on Submitting and Reviewing the Capital Increase to Galaxy Futures". According to business development needs, it was agreed to increase capital in Galaxy Futures, and the registered capital increased from RMB1.2 billion to RMB2.3 billion. On 6 January 2021, Galaxy Futures completed the industrial and commercial registration procedures for the change of registered capital, and the registered capital increased to RMB2.3 billion.

(3) On 14 January 2021, the legal representative of Galaxy Jinhui changed to Mr. Guo Qing.

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

No.	Branches	Address	Name of person in charge	Date of incorporation shown on business license	Working capital (RMB ten thousand)	Telephone
1	Beijing Branch	5/F, No. 111 Tai Ping Qiao Avenue, Xicheng District, Beijing	Zhang Kaihui	26 July 2011	500	010-58872718
2	Shanghai Branch	Room 01, 31/F, 99 Fucheng Road, China (Shanghai) Pilot Free Trade Zone	Jiang Yuesheng	29 July 2011	500	021-20252657
3	Zhejiang Branch	28/F, Building 3, Fanhai International Center, Jiangnan District, Hangzhou, Zhejiang Province	Song Xiaojun	15 July 2011	500	0571-87043507
4	Ningbo Branch	32-1, No. 30 Anbo Road and No. 8 Jianning Street, Yinzhou District, Ningbo, Zhejiang Province	Zhou Hongliang	12 March 2013	500	0574-87681169
5	Guangdong Branch	Room 2501, 2502, 2503, 25/F and Room 2601, 2604, 26/F, 988 Guangzhou Avenue Central, Tianhe District, Guangzhou	Chen Zhihui	22 July 2011	500	020-83953833
6	Shenzhen Branch	20th Floor, Zhongzhou Building, No. 3088 Jintian Road, Futian Street, Futian District, Shenzhen	Zhang Qinghua	21 June 2011	500	0755-82031998
7	Hunan Branch	No. 275, Section 2, Middle Furong Road, Yuhua District, Changsha	Zou Wenchao	23 August 2011	500	0731-85536911
8	Tianjin Branch	Room 1707, 17/F, Luneng International Center, Intersection of Shuishang Park North Road North Road and Shuishang Park North Road East Road, Nankai District, Tianjin	Wang Xiaolin	11 March 2013	500	022-83830348
9	Hebei Branch	98 Hongqi Street, West Bridge District, Shijiazhuang	Zhao Yongwei	20 March 2013	500	0311-83998683
10	Shanxi Branch	Room 802, 803, and 804B, 8/F, Block A, China Overseas International Center, No. 8, Section 1, Jinci Road, Wanballin District, Taiyuan City, Shanxi Province	Zhao Songlin	14 March 2013	500	0351-8611197
11	Inner Mongolia Branch	Shop 101, Block B, Boerdun Plaza, Ulanqab East Road, Saihan District, Hohhot, Inner Mongolia Autonomous Region	Ren Wei	15 March 2013	500	0471-4955414
12	Dalian Branch	B, C & D, 5/F, East Tower, No. 620 Huanghe Road, Shahekou District, Dalian, Liaoning Province	Zhu Xiaoguang	13 March 2013	500	0411-84313089
13	Liaoning Branch	Unit 17-3, No. 59 Beizhan Road, Shenhe District, Shenyang	Yuan Bing	27 March 2013	500	024-23250200

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

No.	Branches	Address	Name of person in charge	Date of incorporation shown on business license	Working capital (RMB ten thousand)	Telephone
14	Jilin Branch	9/F, Building A2, Jishang International Project, Qianjin Street, Chaoyang District, Changchun City	Yan Xiaomin	19 March 2013	500	0431-82707737
15	Heilongjiang Branch	5/F, No. 252 Zhongshan Road, Nangang District, Harbin	Li Naichen	25 March 2013	500	0451-53905568
16	Jiangsu Branch	Room 304, 3/F, Fuxin International Building, No. 359 Hongwu Road, Nanjing, Jiangsu Province	Wang Desheng	13 March 2013	500	025-84265505
17	Anhui Branch	5/F, Block B, Xinguanghe Building, 7377 Linquan Road, Luyang District, Hefei	Chen Xiaoqi	22 March 2013	500	0551-62625593
18	Fujian Branch	No.1 Shop, 2/F, 1st Building, Fuzhou Jiyou Plaza, No. 39 Fuma Road, Shuibu Street, Gulou District, Fuzhou	Huang Feilong	2 April 2013	500	0591-83350449
19	Xiamen Branch	West Wing, 2/F, No.18, Meirenxincun, Siming District, Xiamen	Zeng Wenqing	21 March 2013	500	0592-2227159
20	Jiangxi Branch	Room 401-410, 4/F, Jiangxi Daily News Building, 190 Yangming Road, Donghu District, Nanchang, Jiangxi Province	Jin Zicheng	2 April 2013	500	0791-86283972
21	Qingdao Branch	No. 100E, Nanjing Road, Shinan District, Qingdao	Zhang Zhenping	15 April 2013	500	0532-82962152
22	Shandong Branch	No. 175 Xinanhe Road, Zhifu District, Yantai	Zhang Huasheng	29 March 2013	500	0535-6626317
23	Henan Branch	No. 202-206, 2/F, Lifeng International Building, No. 6 Shangxian Street, Longzihu, Zhengdong New District, Zhengzhou City, Henan Province	Wang Junzhao	4 March 2013	500	0371-63969218
24	Hubei Branch	3/F, Business Conference Center, No. 1 Hongshan Road, Wuchang District, Wuhan City, Hubei Province	Zhang Zhiqiang	12 March 2013	500	027-87841733
25	Chongqing Branch	3/F, Building B, No. 108 Minzu Road, Yuzhong District, Chongqing	Liu Xiaoyong	18 March 2013	500	023-88128880
26	Sicuan Branch	Room 401, 4/F, Block 1, No. 9 Jianshe Road, Chenghua District, Chengdu	Zhang Zhiqiang	21 March 2013	500	028-84360387
27	Yunnan Branch	9/F, Shuncheng East Tower Building, No. 11 Dongfeng West Road, Wuhua District, Kunming, Yunan Province	Wei Yuhong	13 March 2013	500	0871-63645475
28	Shaanxi Branch	2/F, Commercial Building of China Railway Group, No. 51 East Youyi Road, Beilin District, Xi'an, Shaanxi Province	Huang Yaguang	24 April 2013	500	029-87819538

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

No.	Branches	Address	Name of person in charge	Date of incorporation shown on business license	Working capital (RMB ten thousand)	Telephone
29	Qinghai Branch	No. 106-26, Changjiang Road, Chengzhong District, Xining	Feng Qing	11 March 2013	500	0971-8261669
30	Hainan Branch	No. C408, C409, C410, C411, 4/F, East Building, Block B, Guoruicheng S5, No.11 Guoxing Avenue, Meilan District, Haikou, Hainan Province	Chen Weihong	7 May 2014	500	0898-68500696
31	Ningxia Branch	No. 126, Jiefang West Street, Xingqing District, Yinchuan	Zhao Zhihao	29 April 2014	500	0951-5051318
32	Xinjiang Branch	No. 90, Jiankang Road, Jiefang North Road, Tianshan District, Urumqi, Xinjiang	Kong Lingguo	15 May 2014	500	0991-2333505
33	Guizhou Branch	Unit 12, 13, 14 and 15, 20/F, Building 5, Phase I Business Zone, Guiyang International Finance Center, northwestern corner of Lincheng Road and Changling Road, Guanshan Lake District, Guiyang, Guizhou Province	Shang Chao	22 May 2014	500	0851-87973559
34	Gansu Branch	3/F-1, Changye Jinzuo, No.621 Donggang West Road, Chengguan District, Lanzhou City, Gansu Province	Zhao Yan	8 May 2014	500	0931-8860651
35	Tibet Branch	No. 32, 4/F, Building 2, Taihe International Cultural Plaza, No. 7 Jinzhu Middle Road, Chengguan District, Lhasa	Ma Zhenhui	15 May 2014	500	0891-6344051
36	Guangxi Branch	3/F, No. 12-2, Yuanhu South Road, Qingxiu District, Nanning	Huang Jianhua	14 May 2014	500	0771-5865105

VI. OTHER RELATED INFORMATION

Accounting firm engaged by the Company Name
(domestic)

Ernst & Young Hua Ming LLP

Office address

16/F, Ernst & Young Tower, 1 East Changan Avenue, Dongcheng District, Beijing, the PRC

Names of signing accountants

Leung Shing Kit, Song Xueqiang

Accounting firm engaged by the Company Name
(overseas)

Ernst & Young

Office address

22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

Names of signing accountants

Leung Shing Kit

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

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

Profit (RMB'000)

Item	2020	2019	2020 (compared with 2019) increase/ decrease	2018	2017	2016
Revenue and other income	31,267,233	23,493,492	33.09%	16,234,970	15,985,837	18,403,114
Total expenses	22,171,139	16,674,249	32.97%	12,550,299	11,177,182	11,826,483
Profit before income tax	9,156,733	6,830,129	34.06%	3,682,094	4,808,655	6,576,631
Profit for the year-attributable to owners of the Company	7,243,654	5,228,429	38.54%	2,887,127	3,980,730	5,153,546

Assets (RMB'000)

Item	2020/12/31	2019/12/31	2020/12/31 (compared with 2019/12/31) increase/ decrease	2018/12/31	2017/12/31	2016/12/31
Total assets	445,730,215	315,665,878	41.20%	251,363,291	254,814,966	245,880,520
Total liabilities	363,722,157	243,744,179	49.22%	185,025,430	189,928,533	187,526,621
Accounts payable to brokerage clients	97,670,919	80,508,860	21.32%	56,695,274	64,787,132	90,404,209
Equity attributable to owners of the Company	81,254,531	70,895,595	14.61%	65,982,088	64,513,027	57,988,546
Total share capital	10,137,259	10,137,259	0.00%	10,137,259	10,137,259	9,537,259

Key Financial Indicators

Item	2020	2019	2018	2017	2016
Basic earnings per share (RMB)	0.71	0.52	0.28	0.39	0.54
Diluted earnings per share	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Weighted average return on net assets	9.84%	7.64%	4.40%	6.33%	8.97%
Gearing ratio (%) ¹	76.44%	69.42%	65.92%	65.85%	62.47%
Net assets per share attributable to owners of the Company (RMB/share)	8.02	6.99	6.51	6.36	6.08

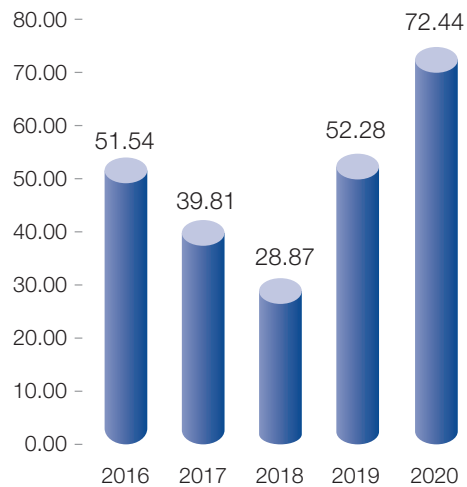
¹ Gearing ratio = (Total liabilities – Accounts payable to brokerage clients – Funds payable to securities issuers)/(Total assets – Accounts payable to brokerage clients – Funds payable to securities issuers)

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

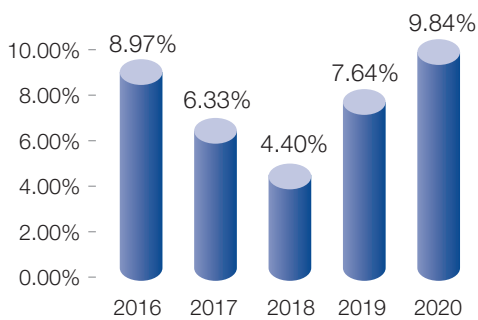
**Revenue and other income
(RMB in 100 million)**



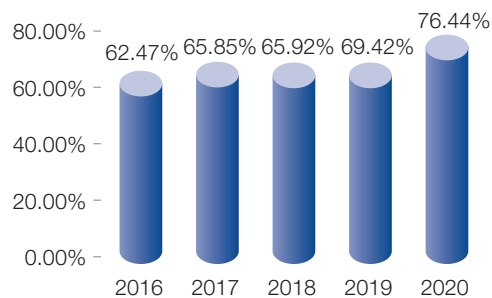
**Profit for the year - attributable
to owners of the Company
(RMB in 100 million)**



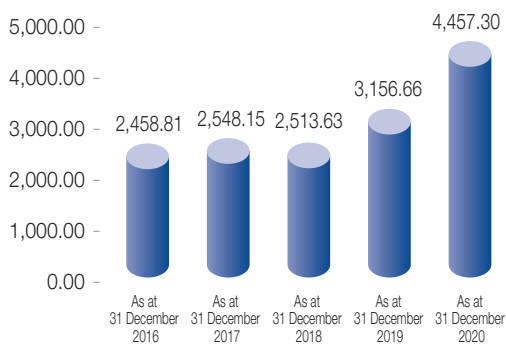
Weighted average return on net assets (%)



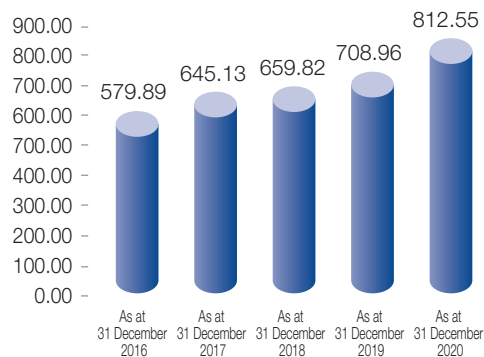
Gearing ratio (%)



**Total assets
(RMB in 100 million)**



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



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 2020 and 2019 as well as the net assets as of 31 December 2020 and 31 December 2019 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.

VIII. NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS

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

Unit: Yuan Currency: RMB

Item	2020	2019 (Note 1)
Net Capital	70,522,133,720.18	69,006,841,285.88
Net Assets	78,619,442,508.78	68,812,993,726.55
Net Capital/Sum of risk provisions (%)	251.09	335.27
Net Capital/Net Assets (%)	89.70	100.28
Net Capital/Liabilities (%)	29.97	45.69
Net Assets/Liabilities (%)	33.42	45.56
Proprietary Equity Securities and Derivatives/Net Capital (%)	28.00	18.39
Proprietary Fixed-income Securities/Net Capital (%)	204.67	139.91
Capital Leverage (%) ^(Note 2)	18.12	25.34
Liquidity Coverage (%) ^(Note 3)	280.88	221.03
Net Stable Funding Ratio (%) ^(Note 4)	133.56	137.38

Notes:

1. According to the CSRC Announcement [2020] No. 10 "Regulations on the Calculation Standards of Risk Control Indicators for Securities Companies", various risk control indicators such as net capital as at 31 December 2019 are restated.
2. Capital leverage = core net assets/total assets included and excluded in the statements × 100%, where the core net assets include risk adjustment for contingent liabilities such as guarantees.
3. Liquidity coverage = quality current assets/net cash outflow in the coming 30 days × 100%
4. Net stable funding ratio = available stable fund/required stable fund × 100%

SECTION III COMPANY BUSINESS OVERVIEW

I. 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 committed to becoming a leading investment bank in Asian capital market and a securities financial institution of systematic significance, and provides comprehensive securities services, including brokerage, sales and trading, investment banking and investment management.

The principal businesses of the Group include:

Brokerage, Sales and Trading	Investment Banking	Investment Management	Overseas Business
Brokerage and wealth management	Equity financing	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 Company's business model was "Dual-wheel Drive and Coordinated Development". "Dual-wheel Drive": One wheel is wealth management, which represents the integration and development of big brokerage and big asset management business to provide customers with comprehensive wealth management services. The other wheel is investment and financing to support the real economy and serve enterprises in financing. "Coordinated Development": In accordance with the Company's new management system of "centralized planning + line supervision + hierarchical management", the Company strengthened its centralized planning and management, improved the development of its products, customer, transaction, data and service center, and strengthened the comprehensive business and management coordination mechanism in order to transform its branches into regional comprehensive financial service centers in full efforts.

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 financial service provider in the securities industry in China.

(iii) Development characteristics of the industry of the Group

1. Economic environment

During the Reporting Period, the global economy suffered a deep recession due to the impact of the COVID-19 epidemic, and global financial markets fluctuated significantly. Despite the global pandemic of the COVID-19 and the profound changes in the international political and economic pattern, China took the lead in achieving economic recovery growth in the world as the Chinese government continued to coordinate epidemic prevention and control and economic and social development, and achieved major strategic results in epidemic prevention and control.

2. Market environment

During the Reporting Period, the market environment with loose liquidity and the economy with continuous repair basically played an important supporting role in the A-shares, and in view of China's distinct leading edge in global epidemic prevention and control and economic resumption, the allocation of overseas funds to the A-shares increased, and the Chinese stock market showed an upward trend with fluctuations. The SHCI and the SZCI rose by 13.87% and 38.73% respectively. According to statistics from WIND Information, the trading amount of Shanghai and Shenzhen A, B shares in 2020 increased by 63% as compared to 2019. As at the End of the Reporting Period, the balance of margin financing and securities lending in the SSE and the SZSE was RMB1.62 trillion, representing an increase of 58.85% from the end of 2019. During the Reporting Period, listed companies raised RMB1.72 trillion through IPOs, additional offering and placement, representing a year-on-year increase of 11.53%.

3. Industry situation

During the Reporting Period, due to the impact of COVID-19 epidemic on the capital market, the counter-cyclical policy adjustments were intensified with overall liquidity relaxed, the market trading recovered, and the index fluctuated upward. The operating income and net profit of the securities industry continued to achieve significant growth. According to the data from the unaudited financial statements of the parent companies of securities companies published by the Securities Association of China (SAC), as at the End of the Reporting Period, total assets, net assets and net capital of securities industries amounted to RMB8.90 trillion, RMB2.31 trillion and RMB1.81 trillion, respectively; during the Reporting Period, the operating income of the securities industry amounted to RMB448.471 billion and net profits were RMB157.529 billion, representing a year-on-year increase of 24.41% and 27.98%, respectively.

SECTION III COMPANY BUSINESS OVERVIEW

(iv) Position of the Group in the industry

The Group is committed to becoming a leading investment bank in Asian capital market and a securities financial institution of systematic significance. The Group performs its social responsibility by facilitating the implementation of national strategy, supporting the development of the real economy and serving the wealth management of residents, and takes the realization of corporate value, shareholders' return, employee benefits and social responsibility as its mission. Since its incorporation, the Group has maintained strong comprehensive competitiveness, with the Company remaining as a top securities company in the industry in terms of capital scale, profitability, business strength and risk management capability. According to the unaudited data in the financial statements of the parent companies of securities companies published by the SAC, in 2020, the Company ranked tenth and ninth respectively in the industry in terms of operating income and net profit, and ranked eighth, eighth, and fourth 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

As of 31 December 2020, total assets of the Group amounted to RMB445.730 billion, representing an increase of 41.20% as compared to the end of last year. Items that have relatively significant changes include: monetary fund amounted to RMB92.728 billion, representing an increase of 31.85% as compared with the end of last year, which was mainly due to an increase in the funds of customers; clearing settlement funds amounted to RMB17.584 billion, representing an increase of 55.93% as compared with the end of last year, which was mainly due to an increase of the clearing settlement funds of proprietary and client accounts; advances to customers amounted to RMB82.018 billion, representing an increase of 39.67% as compared with the end of last year, which was mainly due to an increase in the business scale of domestic advances to customers; derivative financial assets amounted to RMB870 million, representing an increase of 317.02% as compared with the end of last year, which was mainly due to changes in the fair value of investment derivative financial instruments; refundable deposits amounted to RMB16.194 billion, representing an increase of 50.85% as compared with the end of last year, which was mainly due to an increase in the trading margin; receivables amounted to RMB12.215 billion, representing an increase of 138.72% as compared with the end of last year, which was mainly due to an increase in settlement receivables of overseas subsidiaries; other debt investment amounted to RMB52.130 billion, representing an increase of 126.48% as compared with the end of last year, which was mainly due to an increase in bond investment; other equity instrument investment amounted to RMB33.868 billion, representing an increase of 75.04% as compared with the end of last year, which was mainly due to an increase in perpetual bonds; the construction in progress amounted to RMB28 million, which was mainly due to an increase in construction in progress during the year; right-of-use assets amounted to RMB923 million, representing a decrease of 31.14% as compared with the end of last year, which was mainly due to the imminent expiry of certain leases of the Company's headquarters and the depreciation and amortization of the right-of-use assets.

In particular, overseas assets amounted to RMB31.163 billion, accounting for 6.99% of the total assets.

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

(i) Leading position in terms of comprehensive strength

According to the unaudited data of the SAC, as of the end of 2020, the Company's total assets ranked eighth in the industry; its net assets ranked eighth in the industry; its net capital ranked fourth in the industry; and its comprehensive strength took the leading position in the industry.

SECTION III COMPANY BUSINESS OVERVIEW

(ii) Leading position in terms of brokerage business

The Company has established long-term brand influence for its brokerage business with a leading market position in terms of revenue. 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 5.05%; the net income of the Company from the sale of financial products as an agency ranked fourth in the industry in terms of individual securities companies with a market share of 5.27%; and the interest income of the Company from the financing business ranked fourth in the industry in terms of individual securities companies with a market share of 5.49%. The huge client base and client assets of the Company provide a sound foundation for its business development, and become a powerful driver for the development and innovation of its businesses such as margin financing and securities lending, institutional sales and cash management.

(iii) Well established brand recognition

The Company was a wholly state-owned securities company with the largest registered capital in China at the time of establishment. In 2020, the Company obtained an AA rating among Category A securities companies, and has been listed in Category A for ten consecutive years, with a high recognition and reputation in China's capital market.

(iv) Large and stable client base

As at the end of 2020, the Company had 12.14 million brokerage clients, and served over 600 corporate clients in the investment banking business. The Company ranked fifth in the industry in terms of aggregate market value of securities in its client accounts, which amounted to RMB3.15 trillion and represented a market share of 5.29%. The Company ranked fifth in the industry in terms of the balance of clients' deposit margin account, which amounted to RMB69.85 billion and represented a market share of 4.22%. Benefitted from its good client base, the Company has significant potential for cross-selling among its business lines.

(v) Strong channel network of reasonable strategic layout

As at the end of 2020, the Company had 4 subsidiaries, 36 branches and 491 securities brokerage branches in 31 provinces, autonomous regions and municipalities across China. It is the securities company with the largest number of branches in China. With 1 subsidiary outside China, and leveraging on the platform of Galaxy International Holdings in Hong Kong and the business network of CGS-CIMB in the ASEAN region, the Company has expanded its business to more than 20 countries and regions around the world, along the "Belt and Road", and well into Guangdong-Hong Kong-Macau Greater Bay Area and the Free Trade Zones, Galaxy International Holdings and CGS-CIMB will leverage on the synergy of the company as a whole, based in Asia and focusing on the world, so as to closely integrate funds and assets in Mainland China with those across the globe, and strive to become "Asia's financial gateway".

(vi) Unique advantages from shareholders

The de facto controller of the Company is Huijin. Huijin is authorized by the State Council to make equity investments in major state-owned financial enterprises to preserve and increase the value of state-owned assets. As an important securities finance platform under Huijin, the Company can grasp the national development policy in a timely manner and enjoy the synergy of resources.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

I. MANAGEMENT DISCUSSION AND ANALYSIS

(i) Overall Operation

In 2020, the Company effectively coped with changing external environment by starting with strengthening competitiveness and pursuing assets preservation and appreciation, continuing to carry out operation and management system reform led by party building and implement the business model of “Dual-wheel Drive and Coordinated Development”, and all businesses showed a good development trend. Among them, the transformation of wealth management business was smoothly promoted, the income generation in credit business increased steadily, the effect of investment banking business reform gradually emerged, the investment categories and strategies in investment business were continuously diversified, the contribution from international business further increased, and the Company achieved substantive results in the reform and transformation development. As at the End of the Reporting Period, the Group’s total assets amounted to RMB445.73 billion, and equity attributable to owners of the Company amounted to RMB81.255 billion. During the Reporting Period, the Group achieved revenue and other income of RMB31.267 billion, representing a year-on-year increase of 33.09%, net profit attributable to owners of the Company amounted to RMB7.244 billion, representing a year-on-year increase of 38.54%, and weighted average return on net assets was 9.84%, representing a year-on-year increase of 2.20 percentage points.

(ii) Analysis of Major Business of the Company

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 RMB16.076 billion, representing a year-on-year increase of 30.23%, which was mainly due to the fact that securities trading commission income achieved a year-on-year increase as the Company seized market opportunities, and continued to innovate the business model of wealth management against the backdrop of the recovering of securities market and the increase of the trading volume of shares and funds.

Market environment

During the Reporting Period, due to the impact of development of Internet finance and newly-opened outlets, the brokerage business of securities companies is facing increasingly intensified competition, the net commission rate of shares and funds continued the downward trend, so transformation in wealth management business is extremely urgent. The securities market continued to fluctuate under the overall environment of deleveraging and tightened regulation (according to statistics from WIND Information). The annual trading volume of A and B shares on the Shanghai and Shenzhen Stock Exchanges was approximately RMB206.08 trillion in 2020, and the average daily trading volume of shares and funds was RMB0.85 trillion, representing an increase of 63% from 2019. As the End of Reporting Period, the balance of margin financing and securities lending on the SSE and the SZSE was RMB1.62 trillion, representing an increase of 58.85% from the end of 2019.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Operation initiatives and results

For securities brokerage business, the Company actively responded to market changes. For retail business, the Company adopted the strategy of integrating online and offline stores and combination of network and outlets to help the branch business with accurate analysis. The Company actively engaged in the innovation of service mode, using measures such as focusing on existing customers, and sharing experience online, thus helping to provide accurate service to customers. The Company strived to actively build a “galaxy store” marketing service platform, and precision marketing with technology empowerment. The Company successively carried out marketing activities such as “getting off good start”, “starcraft”, “fighting to the end”, and “grab seed and raping harvest”. Meanwhile, we promoted OMO (integration of online and offline) marketing services featuring Reasonable Investment and Fortune Forum as the theme. During the Reporting Period, the Company has accumulated 1.07 million new customers, with a year-on-year increase of 21.8%. The Company seized the capital market opportunities, vigorously strengthened institutional customer service, and adjusted the product supply structure, and we continually achieved good results on the sales of financial products relying on the rapid development of financial technology. As at the End of the Reporting Period, the retainment size of agency sale of financial products of the Company was RMB156.6 billion, representing an increase of 39.2% from the end of 2019.

For the credit business, the Company closely complied with the direction of regulatory policies, grasping the general trend of industry development, and continued a steady and healthy development under the overall idea featuring “structure adjustment, return assurance, and risk control”. For margin financing and securities lending business, the Company adhered to customer-oriented approach, strengthened the application of financial technology, and optimized the customer service system step-by-step; focused on the exploitation of professional investors and institutional customers, and continued the optimization of customer structure; vigorously developed the securities lending business, and constantly optimized the business structure; strictly controlled the concentration of securities lending, and improved its risk management ability to properly mitigate risks. For stock pledge business, the Company focused on quality customers, raised project access standard and continuously optimized the project structure. Meanwhile, through measures such as risk differentiation identification, business collaboration and system support to fully improve its overall service capability. As at the End of the Report Period, the scale of stock pledge from the Company’s customers reached RMB23.3 billion, representing a decrease of RMB4.6 billion or 16.49% from the end of 2019 with average margin ratio reaching 348%; the balance of margin financing and securities lending from customers of the Company amounted to RMB81.5 billion, representing an increase of 55% from the end of 2019, and the average performance guaranteed ratio was maintained at 270%. The overall risks were under control.

For research and institutional sales and trading business, the Company’s academy actively explored and served on external institutional investors. We were providing institutional investors in-time research services with efficiency to promote customer’s confidence through research reports, special topic analysis, research, investigation and survey, roadshows, media coverage, teleconferences and other means. The Company’s academy actively promoted the research into products, and constantly enriched and researched product system, thus gradually issued special report of convertible bonds, general asset allocation report, research report of ETF fund portfolio, etc.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Challenges and prospects for 2021

Looking forward to 2021, it is expected that the brokerage business of securities companies will remain robust alongside with the capital market reform and the increase of investment demand from the general public. Institutional clients will become more professional and more investment products will be offered to retail clients, and the proportion of institutional transactions will further increase. However, affected by the intensified competition in the industry, the wealth management transformation of securities companies will seek further breakthroughs from many aspects, such as customers, products, channel and brands. The securities lending business is expected to gradually become a new breakthrough of capital intermediary business of securities companies. In addition, the Company's securities brokerage business will lay a solid foundation of "+ Internet", and regard professional strategic trade, investment consulting services, product allocations and comprehensive finance as the starting point with the guidance of performance assessment, thus to focus on improving the development and service ability of institutional customers and high net worth customers, and ensure the leading position of brokerage business in the market. The Company will continue to enhance the core competitiveness of the credit business, expand financing business, strengthen securities lending business, and further increase the proportion of the income of financing and securities lending business, with policies being precisely adopted to effectively manage and control stock pledge risks, and maintaining the stability of the credit business market ranking, thus to improve risk-adjusted return on assets.

(2) Futures brokerage

Market environment

In 2020, the futures market has broadened its services catered for the real economy, with increases product variety and expansion of market scale. Meanwhile, a trend of "institutionalization" appeared in the market and opening to more investors has reached a new level. However, there was still homogeneous competition in the futures market, and the brokerage business was in a position of "stock fighting". The professional service capabilities and innovative development capabilities of futures companies became the key to breakthroughs.

Operation initiatives and results

During the Reporting Period, Galaxy Futures integrated the Company's superior resources, improved the Company's assessment system, and strengthened the developing level of customers from financial institutions such as publicly offered funds and commercial banks and strengthened the cooperation with third parties of Internet, and actively innovated product design capabilities, focused on the commodity and derivative sectors, and designed and developed asset management products of financial institutions. During the Reporting Period, Galaxy Futures recorded revenue and other income of RMB6.661 billion, representing a year-on-year increase of 88.82%. Daily average customer equity was RMB25.666 billion, representing a year-on-year increase of 50.31%. Total trading volume (one-side) was 150 million lots and total trading amount was RMB11.12 trillion (one-side), representing an increase of 65.13% and 59.85%, respectively. As at the End of Reporting Period, Galaxy Futures had total assets under management of RMB3.527 billion, representing a year-on-year increase of 60%, among which, the scale of self-managed business reached RMB440 million, representing a year-on-year increase of 44.8%.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Challenges and prospects for 2021

In 2021, with the gradual containment of the COVID-19 epidemic, the bedrock for the continued improvement of the domestic economy will be further enhanced, and the scale of transactions in the futures market is expected to continue to expand. As each domestic exchange vigorously promotes the listing of new products, the product coverage of futures and options will further increase. Galaxy Futures will focus on futures and derivatives, the main business, and on risk management and wealth management. It will actively support and serve the real economy, continually enhance professional service capabilities, and give full play to the role of Galaxy Derivatives, its subsidiary, as a platform for derivatives trading and risk management business and cooperate with each business line of the Company to further enhance serving capability to customers.

(3) Asset management

During the Reporting Period, the Group's asset management business achieved revenue and other income of RMB556 million, representing a decrease of 19.08% year-on-year, mainly due to the fact that asset management deposit businesses are not allowed to obtain new customers and increase scale before the completion of standard transformation as a result of the introduction of new regulations on capital management and industrial policies. The scale of asset management business of the Group decreased to a certain extent.

Market environment

During the Reporting Period, new regulation policy framework on asset management and affiliated rules of industry regulation continued to improve. The process of de-channeling industry, product net worth and eliminating regulatory arbitrage has been continuously accelerated. Asset management institutions are striving to return to the source of asset management, while they are seeking new business development directions and strategic layout.

Operation initiatives and results

Galaxy Jinhui actively adapted to the changes in regulation trend, and based on giving full play to its talents and advantages and the whole business chain, through resource allocation and optimization of business structure, it focused on investment, research and channels to strengthen business system, improving the product differentiation competition system, further advance large collective product public transformation process, thus continually promoting its capabilities in providing comprehensive financial services. As at the End of the Reporting Period, the assets under management of the Company amounted to RMB152.639 billion, of which the size of collective asset management product amounted to RMB50.662 billion; the size of single (targeted) asset management products amounted to RMB98.802 billion; the size of special asset management products amounted to RMB3.175 billion. As at the End of the Reporting Period, it had 276 products under management (including 101 collective products, 170 targeted products and 5 special products).

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Challenges and prospects for 2021

In 2021, on the basis of strictly implementing the new regulations on capital management, Galaxy Jinhui will adhere to the main business direction of serving the development of the real economy, promoting the innovation and design of equity products and expanding the scale of active management as the operation direction, so as to continue to build the “Three Kinds of Capabilities” of resource allocation, innovation and design of products and channel marketing, and deepen classified services of customers, and enhance the competitiveness of product systems in all aspects. In addition, relying on the resource advantages of the Group, it strengthened internal business synergy, focused on strengthening the construction of FOF, equity, quantitative investment and research system, and optimized the product structure, accelerated the large collective product public transformation process, and actively strived for the business qualification of public funds license.

2. Investment banking business

During the Reporting Period, for the investment banking business, the Group actively implemented the “Three Major Tasks” of financial work, solidly completed the work of “Stability on the Six Fronts” and “Security in the Six Areas”, and grasped the opportunities of multi-level capital market reform. In 2020, we realized revenue and other income of RMB810 million, representing an increase of 89.32% year-on-year, mainly due to the gradual effect of the Company’s reform of enlarged investment bank, and the investment bank projects accumulated in the early stage gradually entering the performance release period.

(1) Equity financing and financial advisory

Market environment

Alongside with overall revision of Securities Law and the implementation of registration-based mechanism of share offering and the policy of increasing the proportion of direct financing, the capital market has ushered in major opportunities for development. According to the statistics of WIND Information, in 2020, the scale of equity financing on the SSE and the SZSE amounted to RMB1,667.654 billion, representing an increase of 8.20% year-on-year. Among them, the scale of IPO financing amounted to RMB469.963 billion, representing an increase of 85.57% year-on-year.

Operation initiatives and results

In 2020, the Company’s investment banking business line adhered to the business principles of “all-employee contracting, full-licensed operation, comprehensive coordination, and full-process risk control”, actively implemented national strategies and served the real economy and seized the opportunity of multilevel capital market reforms by vigorously supporting epidemic prevention and control and developing inclusive finance. During the Reporting Period, the securities underwritten by the Company as a lead underwriter amounted to a total of RMB41.823 billion, representing an increase of 362.80% year-on-year, ranking on 8th in the market. During the Reporting Period, the Company completed 5 IPO projects and 6 re-financing projects (including convertible bonds re-financing), plus the completion of two exchangeable bonds projects.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Challenges and prospects for 2021

Alongside with the steady progress of the comprehensive reform of the capital market, together with the comprehensive implementation of the registration system, de-listing system into place and the continuous improvement of basic system, the level of opening up of the capital market will usher towards a higher level and promote the high-quality development of the listed companies. The Company will continue to actively implement the Five-Year Strategic Development Plan, with adherence to the business model practice of “Dual-wheel Drive and Coordinated Development”, focusing on the national strategic key regions and core cities, thus to serve on the development of the real economy, promote the integrated development of the Company’s investment and financing business, and provide customers with diversified and fully-cycled comprehensive financial service solutions.

(2) Bond financing

Market environment

In 2020, the bond market showed larger fluctuation. The repetitive occurrence of defaults in the bond market has led to a more pronounced credit stratification in the bond market, with credit bond issuance significantly concentrated on state-owned enterprise issuers with high ratings. As of the end of 2020, the scale of stock in bonds market amounted to RMB114.33 trillion, becoming the second largest bond market globally.

Operation initiatives and results

During the Reporting Period, the Company actively adapted to the ever-changing industry competition landscapes, implemented the strategy of regional coordinated development by constantly deepening business synergy, moving forward to the resources of key regions and industries, deeply exploring market opportunities and actively developing bonds business. During the Reporting Period, the Company underwrote a total of 735 bonds, and the total underwriting amount was RMB120.672 billion, representing a year-on-year increase of 85.05%. Of which, the Company constantly strengthened the innovation on bond products and fulfilled its social responsibilities by advocating and promoting the development of green finance. In 2020, the Company underwrote 3 green bonds and 7 epidemic prevention and control bonds.

Challenges and prospects for 2021

In 2021, China’s macro economy needs to “stabilize leverage” and “stabilize growth” simultaneously. The bond market faces great opportunities for development, the registration system reform will further optimize the issuing conditions of bonds. The Company will continue to strengthen its efforts on bond underwriting and further explore business opportunities for financial institution business, asset securitization business, credit bonds of high-quality enterprises on the basis of enhancing business coordination. It will also actively develop innovative business, facilitate poverty alleviation and green bond business development, accelerate the promotion of the coordination between stocks and bonds, and provide better services to strategic customers of the Company.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(3) *New OTC Board*

Market environment

In 2020, the reform of the New OTC Board in China was implemented steadily, and various functional indicators of the market rebounded, and positive effects gradually appeared. According to the statistics of WIND Information, as at the End of the Reporting Period, the number of listed companies recommended on the New OTC Board in China was 8,187, representing a decrease of 8.56% as compared with the end of 2019; the amount of financing of companies listed on the New OTC Board during the Reporting Period was RMB33.755 billion, representing an increase of 27.56% year-on-year.

Operation initiatives and results

During the Reporting Period, the Company highly valued the strategic opportunities arising from the reform of the New OTC Board. The Company actively deployed selected projects, strengthened the comprehensive business coordination, implemented comprehensive financial services, and also strengthened its coverage of high-quality enterprises and focused on the cultivation of enterprises with opportunities for IPO and merger and acquisition projects. During the Reporting Period, the Company completed one project for listed company on New OTC Board transferring to IPO, 1 selected public offering project, and 5 non-public offering projects for New OTC Board stock, and raised RMB1.085 billion accumulatively.

Challenges and prospects for 2021

With the continuous deepening of the reform of the New OTC Board and the implementation of the Transfer Board system in China, the New OTC Board will embrace a better development prospect. In 2021, the New OTC Board business of the Company will adhere to the original mission of serving “innovative small and medium-sized enterprises”, actively satisfy the diverse financing demands for serving the New OTC Board enterprises through equity financing, bond financing, financial advisory services and other means, and focus on cultivating selected and high-quality enterprises with the potential of board transfer. It will continue to strengthen internal business coordination and improve its ability to serve the whole value chain in relation to the integration of investment and financing, regulated operation and strategic planning in order to provide continuous and comprehensive financial services to clients.

(4) *M&As and Restructuring*

Market environment

In 2020, the CSRC has revised and improved the regulations on major asset restructuring of listed companies for several times to promote the influx of market resources into high-tech industries and technology-based companies, and to give full play to the capital market’s function of serving the real economy. However, due to the impact of COVID-19 epidemic and changes in the trading environment, the scale and number of M&A transactions in China’s M&A market declined in 2020. According to the statistics from Wind Information, in 2020, the number of transactions announced by the Chinese M&A market was 9,441, with a transaction value of RMB2.29 trillion, representing a year-on-year decrease of 7.93%. The number of transactions completed in the Chinese M&A market was 6,288, with a transaction value of RMB1.46 trillion, representing a year-on-year decrease of 21.77%.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Operation initiatives and results

In 2020, the Company will closely follow capital market changes, strengthen internal and external business synergies, and promote the expansion of mergers and acquisitions and restructuring businesses. During the Reporting Period, the Company, as the financial adviser, completed the acquisition of assets of three listed companies, namely Skyray Instrument, Xiangcai Co., Ltd., Beixin Road & Bridge, in their share issues and the implementation of the projects amounted to RMB11.594 billion in total.

Challenges and Prospects for 2021

The Opinions of the State Council on Further Improving the Quality of Listed Companies put forward to “promote market-oriented M&As and restructuring; give full play to the role of the capital market as the main channel for M&As, encourage listed companies to revitalize their stocks, improve quality and efficiency, transform and develop; and support state-owned enterprises to rely on the capital market to carry out mixed ownership reforms, and domestic listed companies to purchase overseas high-quality assets by issuance of shares”. In 2021, the Company will tightly grasp market changes and trends, further strengthen the construction of the M&As and restructuring business system, and enhance the professional service capabilities of corporate M&As and restructuring; meanwhile, by virtue of shareholder advantages and the advantages of experience in the integration of state-owned enterprises, the Company will grasp policy opportunities such as the “Three-year Action Plan for State-owned Enterprises Reform (2020-2022)”, promoting enterprises to achieve extended development and value enhancement through the capital market.

3. Investment management business

(1) Proprietary trading and other securities trading services

During the Reporting Period, the Group’s proprietary trading and other securities trading services recorded operating revenue and other income of RMB5.411 billion, representing a decrease of 18.67% as compared to 2019, mainly due to the higher level of strategic investment revenue realized in 2020 as compared to 2019. During the Reporting Period, the Company continuously promoted the systematic reform of the system, mechanism and business of proprietary trading and other securities trading services to enhance diversified investment, enrich investment types, reduce risk exposure, and stabilize income levels. In addition to strategic investments, the Company also achieved rather significant growth in such investment businesses as its self-managed equity, fixed income, derivatives and New OTC market-making investments in 2020, with revenue and other income achieving a year-on-year growth of 34%.

Market environment

In 2020, the Shanghai Composite Index rose to 3,473.07 points from 3,050.12 points, representing an increase of 13.87%, and the SZCI rose to 14,470.68 points from 10,430.77 points, representing an increase of 38.73%. The China Bond Aggregate Total Return Index rose to 207.19 points from 201.19 points, representing an increase of 2.98%.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Operation initiatives and results

① Equity investment

During the Reporting Period, the Company timely adjusted its three major investment strategies in response to changing market situations, namely active investment strategies centered on technological core assets, quantitative investment strategies centered on quantitative models, and low-risk investment strategies such as cross-market and cross-variety arbitrage and subscribing for new shares, to actively seize market opportunities, steadily increase the scale of equity investment, and obtain more stable investment income.

② Fixed income investments

During the Reporting Period, the Company seized market opportunities in a timely manner; the Company's fixed income investment business continued to optimize the allocation of major assets, adjusted the scale and structure of bond investment, strictly controlled credit risks, strengthened underlying assets, and realized income in time. With the continuous promotion of the bulk agency commissioning function, the Company's traditional superior product "Daily Profits (天天利)" has ranked first in the Shanghai Stock Exchange for eight consecutive years, and is the only broker with pledged quotation repurchase business exceeding RMB10 billion in the Shanghai Stock Exchange. The Company actively participated in the local currency market transactions on National Interbank Funding Center, won the "Outstanding Bond Investment Institution (Proprietary Category)" Award in 2020 by the SSE; and obtained "2020 Active Interbank Trader of Domestic Currency (2020 年度銀行間本幣市場活躍交易商)" award and the "Top 100 Bond Transaction Settlement Business-Excellent Proprietor" award by China Central Depository & Clearing Co., Ltd. The Company attached great importance to all kinds of innovative business qualification reserves, and strengthened the ability of leading securities firms to gather resources in the industry. In 2020, the Company obtained the qualification for self-operation of gold spot contracts approved by the CSRC, the first batch of LPR interest rate option dealers by the National Interbank Funding Center, and the general dealer qualification for credit risk mitigation tools approved by National Association of Financial Market Institutional Investors.

③ Derivatives investment

During the Reporting Period, the Company continued to develop proprietary derivative investment business, enhanced the needs of institutional clients with block trading and OTC derivative business, and met clients' cross-border needs with cross-border income exchange business. In addition, the Company actively took use of the resources advantages of institutional customers and retail customers, gave full play to business synergies, designed and launched products such as income certificates with floating income to meet different customers' demand for wealth management.

④ New OTC Board Market making business

During the Reporting Period, the Company made full use of policy reform of the New OTC Board and market recovery to optimize the New OTC Board market-making business structure, with focus on enterprises in board transfer and of high growth potential, and investing in industries that are in line with the positioning of the Sci-tech Innovation Board and GEM. the Company actively carried out market-making and related businesses including the subscription of new stocks at the selected layer, the innovation layer and the foundation layer, and actively prepared the mixed transaction business at the selected layer to cover all investment opportunities in the New OTC Board.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Challenges and prospects for 2021

China's economy will further recover in 2021, while liquidity will stabilize. In terms of equity investment, the Company will moderately increase its investment scale, focusing on core assets while increasing medium and low-risk strategic investments featuring arbitrage and hedging. In terms of traditional bond investment, the Company will focus on risk control, maintain a reasonable investment scale, and intensively cultivate stable returns. Besides, the Company will moderately participate in investment in new bond categories such as Chinese-funded USD bonds, expand commodity investment transactions centered on precious metals, and develop fixed income product creation and trading and other capital intermediary businesses, and gradually optimize the investment income structure. In terms of derivatives business, the Company will consolidate its advantages in block trading business, actively expand OTC derivatives business, increase system investment, and improve risk hedging capabilities. In terms of the New OTC Board market-making business, the Company will actively seize the business opportunities brought by the New OTC Board supporting policies to promote the steady development of related businesses.

(2) Private equity investment

Market environment

During the Reporting Period, China's equity investment funds have shown a trend of low at the outset and high afterwards. In the general environment where the Matthew effect has intensified, market funds of private equity investment were gathering towards leading institutions with strong resource integration capabilities and industry position, and the market is showing a trend of accelerated differentiation. Besides, the Science and Technology Innovation Board and the registration system expanded the exit channels for the market, providing favorable conditions for the gradual recovery of the private equity investment industry.

Operation initiatives and results

During the Reporting Period, Galaxy Capital actively carried out the formation, investment and operation of private equity funds. During the Reporting Period, Galaxy Capital successfully established a special poverty alleviation fund in Jingning county, Gansu province, with the fund size reaching RMB50 million. The fund completed its filing work and began its investment and operation. At the same time, Galaxy Capital put focus on the investment management and post-investment work of existing funds, and actively engaged in the layout of private equity investment in the field of big data.

Challenges and prospects for 2021

In 2021, the private equity market will gradually recover, and leading institutions with scale advantages will become the main beneficiaries. Galaxy Capital is committed to the goal of building a leading institution in the private equity industry: on the one hand, it will further expand customer channels and diversify fund models to explore new business opportunities and achieve rapid growth in management size. On the other hand, by leveraging on strong shareholder background, customer resource and research capability, it will deepen internal and external coordination and improve fund management level to build "Galaxy" brand.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(3) *Alternative asset investment*

Market environment

With the implementation 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》) and the relevant rules for the Science and Technology Innovation Board, the business models and directions of alternative investment subsidiaries of securities companies tend to gradually become similar, and they increased capital to expand their equity investment business. With their advantages in the size of capital, alternative investment subsidiaries of securities brokers (especially top securities companies) gradually became important equity investment institutions.

Operation initiatives and results

During the Reporting Period, Galaxy Yuanhui actively adapted to the industry development, focused on investing in real economy and high-tech industrial enterprises and strengthened equity investment efforts. The equity investments involve industries such as advanced manufacturing, medical healthcare and other key real economy areas enjoying state support. During the Reporting Period, Galaxy Yuanhui recorded an operating income of RMB317 million, representing an increase of 82.94% as compared with 2019; and net profit of RMB211 million, representing an increase of 100.91% as compared with 2019.

Challenges and prospects for 2021

With the continuous deepening of capital market reforms and the gradual development of the integration of investment and financing, securities companies’ alternative investments are facing better business opportunities. In 2021, Galaxy Yuanhui will serve the Group’s overall strategy, continue to optimize the investment layout, and focus on building an “enterprise-centric” investment and financing business system and a “customer-oriented” wealth management business system, and comprehensively promote business synergy to facilitate the development of the real economy.

4. *Overseas business*

Market environment

During the Reporting Period, the Hong Kong securities market continued to fluctuate after undergoing substantial adjustment and stabilization. As at the End of the Reporting Period, the total value of the Hong Kong securities market was HK\$47.5 trillion, representing a year-on-year increase of 24.35% as compared to the end of 2019. During the Reporting Period, share trading in Hong Kong market was active. The average daily trading volume in 2020 was HK\$129.476 billion, an increase of 48.56% from HK\$87.155 billion in 2019; funds raised in the Hong Kong securities market have increased substantially, and the total amount of funds raised for 2020 was HK\$743.654 billion, an increase of 63.71% year-on-year. During the Reporting Period, trading volume in the stock market of a number of countries in Southeast Asia increased significantly. The average daily turnover of the Singapore stock market, the Malaysian stock market and the Thai stock market increased 35%, 103% and 33% year-on-year, respectively.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Operation initiatives and results

During the Reporting Period, Galaxy International Holdings has worked hard to overcome the impact of the COVID-19 epidemic and market fluctuations, and its various businesses have maintained steady development. In particular, the number of brokerage customers and transaction volume has maintained a growth trend, and the ranking of market participants on the Hong Kong Stock Exchange has risen to 46th as at the End of the Reporting Period; the investment banking business completed 10 listings and underwritings on the Main Board of the Hong Kong Stock Exchange throughout the year as well as 11 bond underwriting projects. Galaxy International Holdings gradually expanded its diversified business income sources and its cross-border business has achieved rapid growth. The scale of cross-border revenue swap contracts has increased by 49 times, reaching HK\$2.785 billion as at the End of the Reporting Period. During the Reporting Period, Galaxy International Holdings achieved revenue and other income (consolidated basis) of RMB1.819 billion and net profit of RMB 198 million, representing an increase of 13.05% and 426.29% respectively as compared with 2019.

During the Reporting Period, CGS-CIMB Securities International Pte. Ltd. (a subsidiary of Galaxy International Holdings, "CGS-CIMB Securities") and CGS-CIMB Holdings Sdn. Bhd. (a joint venture of Galaxy International Holdings, "CGS-CIMB Holdings") maintained their leading position in the Southeast Asian market in brokerage business, ranking first and third place in the Singapore market and Malaysia market respectively. The brokerage commission and interest income of CGS-CIMB Securities and CGS-CIMB Holdings have achieved rapid growth, and they gradually expanded their business scope to include business fields such as share placement, wealth management, main brokerage, foreign exchange and fixed income businesses, which have further expanded its sources of income. Meanwhile, CGS-CIMB Securities and CGS-CIMB Holdings promoted the construction of a digital investment platform to attract millennial investors. During the Reporting Period, CGS-CIMB Securities ceased to lose and began to turn out a profit and CGS-CIMB Holdings maintained stable profitability.

Challenges and prospects for 2021

In 2021, as the COVID-19 epidemic gradually subsides, the global economy is expected to return to normal development. Galaxy International Holdings will further consolidate its international business layout based in Southeast Asia, covering Asia, looking for opportunities to enter Russia and Africa, and keeping an eye on international business pattern in Europe and the United States. It will build a business model based on overseas local business and cross-border collaborative business as the core, and utilize rich domestic and overseas customer resources and advantages, strengthen the diversified business layout, enhance the competitiveness of financial services, and realize the continuous development and growth of overseas business.

II. ANALYSIS OF MAJOR OPERATION DURING THE REPORTING PERIOD

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

As at the End of the Reporting Period, the Group's total assets amounted to RMB445.73 billion and equity attributable to owners of the Company amounted to RMB81.255 billion. In 2020, the Group realized revenue and other income of RMB31.267 billion, representing an increase of 33.09% as compared with 2019; the realized net profits attributable to owners of the Company of RMB7.244 billion, representing an increase of 38.54% as compared with 2019; the Group realized earnings per share of RMB0.71, representing an increase of 36.54% as compared with 2019, and the weighted average return on net assets amounted to 9.84%, representing an increase of 2.20 percentage points as compared with 2019.

(ii) Asset structure and quality

As at the end of 2020, total assets of the Group amounted to RMB445.73 billion, representing an increase of 41.20% from RMB315.666 billion as at the end of 2019; total liabilities amounted to RMB363.722 billion, representing an increase of 49.22% from RMB243.744 billion as at the end of 2019; equity attributable to shareholders of the Company amounted to RMB81.255 billion, representing an increase of 14.61% from RMB70.896 billion as at the end of 2019.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Asset structure remained stable while asset quality and liquidity remained satisfactory. In 2020, compositions of the Group's total assets were: cash assets of RMB126.506 billion, mainly including bank balances, clearing settlement funds and transaction deposits, accounting for 28.38%; financing assets of RMB113.882 billion, mainly including advances to financing customers and financial assets held under resale agreements, accounting for 25.55%; financial investment assets of RMB186.612 billion, mainly including financial assets measured at fair value through profit or loss, debt instruments measured at fair value through other comprehensive income, equity instruments measured at fair value through other comprehensive income, debt investments measured at amortized cost and derivative financial assets, etc. accounting for 41.87%; and other operational assets such as properties and equipment of RMB18.731 billion, mainly including settlement receivables, other receivables and prepayments, right-of-use assets, accounting for 4.20%. During the Reporting Period, the Group has made corresponding impairment provision for assets with signs of impairment, and assets quality is satisfactory.

The gearing level and operating leverage slightly increased from the beginning of the year. As at the end of 2020, the gearing ratio of the Group was 76.44%, representing an increase of 7.02 percentage points as compared with 69.42% as at the end of 2019. (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients – funds payable to securities issuers)/(total assets – accounts payable to brokerage clients – funds payable to securities issuers)); operating leverage ratio was 4.28 times, representing an increase of 28.92% as compared with 3.32 times as at the end of 2019. (Note: operating leverage ratio = (total assets – accounts payable to brokerage clients – funds payable to securities issuers)/equity attributable to owners of the Company).

(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 interbank lending, repurchase, short-term commercial papers, short-term income certificates, margin and securities refinancing, etc. Meanwhile, the Company may also finance long-term capital through issuance of corporate bonds, subordinated bonds, long-term income certificates 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 RMB449.90 billion; the cap of borrowing of the Company (the parent company) 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 RMB80 billion.

(iv) Cash flow

Excluding the change in margin deposit of clients, cash and cash equivalents increased by RMB8.909 billion from the end of last year due to the fact that the cash inflow from the Group's operating activities in the year was more than the cash outflow by financing activities and investing activities.

Net cash flow from operating activities decreased by RMB7.460 billion to RMB18.320 billion in 2020 from RMB25.780 billion for the same period of 2019; net cash flow from investing activities decreased by RMB29.785 billion to RMB-42.558 billion in 2020 from RMB-12.773 billion for the same period of 2019; net cash flow from financing activities increased by RMB44.474 billion to RMB33.286 billion in 2020 from RMB-11.188 billion for the same period of 2019; net increase in cash and cash equivalents increased by RMB7.230 billion to RMB9.048 billion in 2020 from RMB1.818 billion for the same period of 2019.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(v) Operating income and profit analysis

1. Items of income statement

Summary Results of Operations

In 2020, the Group realized profit after income tax of RMB7.312 billion, representing an increase of 39.27% as compared with 2019. Main financial details are listed as follows:

Unit: RMB in million

Item	2020	2019	Change	Year-on-year growth rate
Revenue				
Commission and fee income	9,422.9	6,172.0	3,250.9	52.67%
Interest income	10,804.4	9,527.4	1,277.0	13.40%
Net investment gains	4,827.6	4,896.7	-69.1	-1.41%
Total revenue	25,054.9	20,596.1	4,458.8	21.65%
Income from bulk commodity trading	6,065.2	2,721.5	3,343.7	122.86%
Other income and gains	147.1	175.9	-28.8	-16.37%
Total revenue and other income	31,267.2	23,493.5	7,773.7	33.09%
Total expenses	-22,171.1	-16,674.2	-5,496.9	32.97%
Share of result of a joint venture	60.6	10.9	49.7	455.96%
Profit before income tax	9,156.7	6,830.1	2,326.6	34.06%
Income tax expense	-1,844.6	-1,580.0	-264.6	16.75%
Profit for the year	7,312.1	5,250.1	2,062.0	39.27%
Net profit attributable to owners of the Company	7,243.7	5,228.4	2,015.3	38.55%

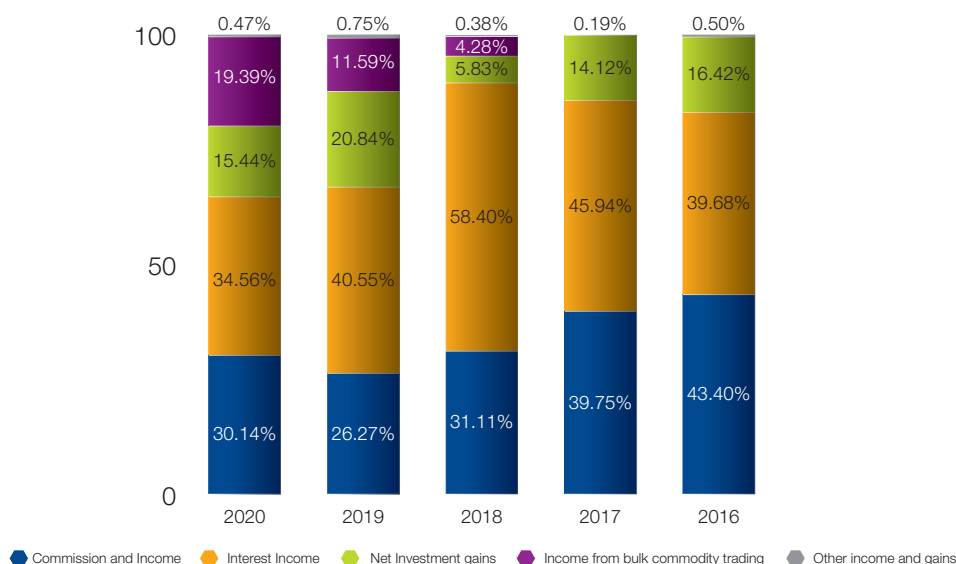
Revenue breakdown

In 2020, the Group's total revenue and other income increased by 33.09% to RMB31.267 billion as compared with 2019. Among them, commission and fee income accounted for 30.14%, representing a decrease of 3.87 percentage points as compared with 2019; interest income took up 34.56%, representing a decrease of 5.99 percentage points as compared with 2019; net investment gains accounted for 15.44%, representing a decrease of 5.40 percentage points as compared with 2019; income from bulk commodity trading accounted for 19.39%, representing a year-on-year increase of 7.80 percentage points; income from bulk commodity trading increased by RMB3.344 billion, mainly due to the increase in the warehouse receipt business of Galaxy Derivatives Financial Service Co., Ltd., a subsidiary of Galaxy Futures; other income and gains accounted for 0.47%, representing a decrease of 0.28 percentage point. Breakdown of the Group's revenue for the recent five years is listed as follows:

Item	2020	2019	2018	2017	2016
Commission and fee income	30.14%	26.27%	31.11%	39.75%	43.40%
Interest income	34.56%	40.55%	58.40%	45.94%	39.68%
Net investment gains	15.44%	20.84%	5.83%	14.12%	16.42%
Income from bulk commodity trading	19.39%	11.59%	4.28%	—	—
Other income and gains	0.47%	0.75%	0.38%	0.19%	0.50%
Total	100.00%	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:



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 showed a general downward trend while the ratio of revenue from the Company's heavy-capital business which mainly generates interest income and net investment gains was rather stable. The ratio of other income has been increasing gradually year-on-year. This reflects the fact that 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 2020 is listed as follows:

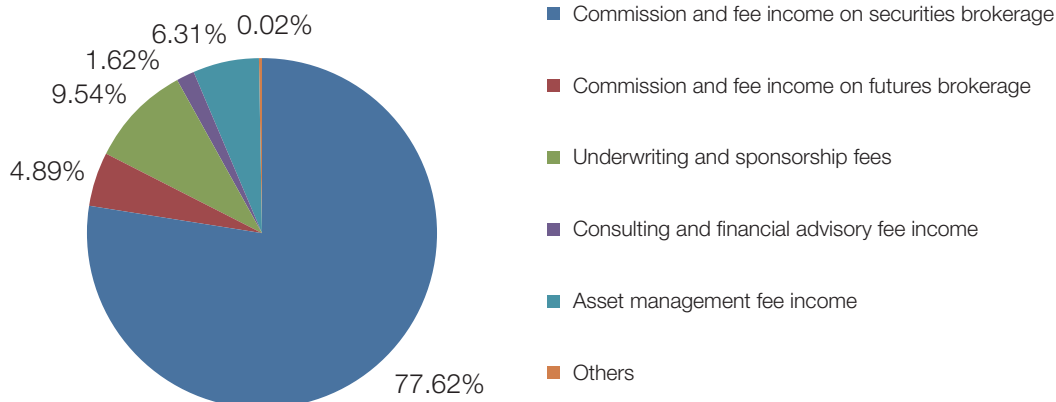
Unit: RMB in million

Item	2020	2019	Change	Year-on-year growth rate
Commission and fee income				
Commission and fee income on securities brokerage	7,314.6	4,489.0	2,825.6	62.94%
Commission and fee income on futures brokerage	460.5	373.1	87.4	23.43%
Underwriting and sponsorship fees	898.8	400.4	498.4	124.48%
Consulting and financial advisory fee income	153.0	113.3	39.7	35.04%
Asset management fee income	594.5	633.8	-39.3	-6.20%
Others	1.5	162.4	-160.9	-99.08%
Total commission and fee income	9,422.9	6,172.0	3,250.9	52.67%
Commission and fee expense	902.2	398.7	503.5	126.28%
Net commission and fee income	8,520.8	5,773.3	2,747.5	47.59%

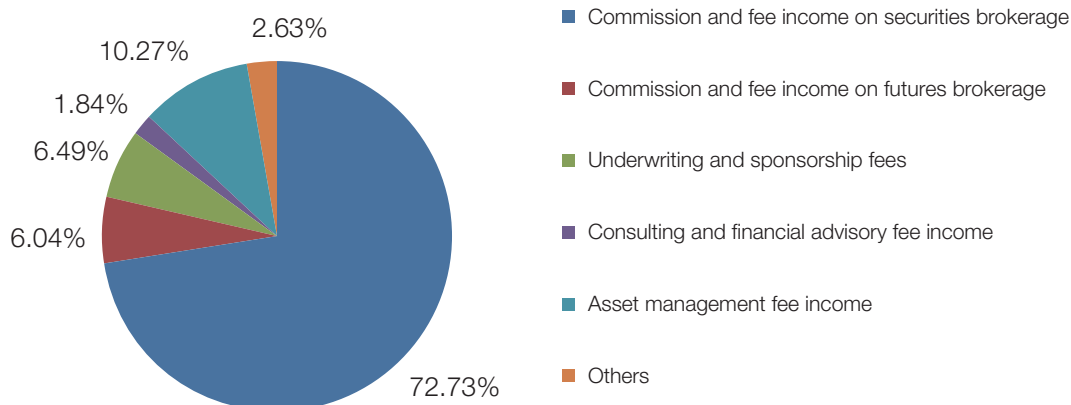
SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Set out below is the breakdown of the Group's commission and fee income in 2020 and 2019:

Breakdown of commission and fee income in 2020



Breakdown of commission and fee income in 2019



In 2020, the Group's net commission and fee income amounted to RMB8.521 billion, representing an increase of 47.59% as compared with 2019, which was mainly due to an increase in the commission and fee income on securities brokerage.

Commission and fee income on securities brokerage increased by RMB2.826 billion or 62.94% as compared with 2019, which was mainly because of the stock market index fluctuating upward and the trading volume of shares and funds increased.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Interest income

In 2020, the Group realized net interest income of RMB4.178 billion, representing an increase of 19.66% as compared with 2019. Breakdown of the Group's net interest income in 2020 is listed as follows:

Unit: RMB in million

item	2020	2019	Change	Year-on-year growth rate
Interest income				
Deposits and bank balances with exchanges and non-bank financial institutions	2,207.9	2,242.8	-34.9	-1.56%
Advances to financing customers and securities lending	5,060.5	3,779.6	1,280.9	33.89%
Financial assets held under resale agreements	1,691.2	2,303.5	-612.3	-26.58%
Debt instruments measured at fair value through other comprehensive income	1,610.7	985.6	625.1	63.42%
Debt instruments measured at amortized cost	230.9	194.3	36.6	18.84%
Others	3.1	21.6	-18.5	-85.65%
Total interest income	10,804.4	9,527.4	1,277.0	13.40%
Interest expenses	6,626.2	6,035.7	590.5	9.78%
Net interest income	4,178.2	3,491.7	686.5	19.66%

Interest income from deposits and bank balances with exchanges and non-bank financial institutions decreased by RMB35 million or 1.56% as compared with 2019, which remained at the same level of the previous year.

Interest income from advances to financing customers and securities lending increased by RMB1.281 billion or 33.89% as compared with 2019, which was primarily due to the an increase in the scale of margin financing and securities lending business.

Interest income of financial assets held under resale agreements saw a year-on-year decrease of RMB612 million or 26.58%, which was mainly due to the year-on-year decrease of scale of dealer-quoted securities repurchase.

Interest income of debt instruments measured at fair value through other comprehensive income increased by RMB625 million or 63.42% as compared with 2019, which was primarily due to the increase in the size of such debt instruments.

Interest income of debt instruments measured at amortized cost increased by RMB37 million or 18.84% as compared with 2019, which was primarily due to the increase in the size of such debt investments.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Net investment gains

In 2020, the Group realized net investment gains of RMB4.828 billion, representing a decrease of 1.41% as compared with 2019. Breakdown of the Group's net investment gains in 2020 is listed as follows:

Unit: RMB in million

Item	2020	2019	Change	Year-on-year growth rate
Investment income/(loss) from the following items				
Debt instruments measured at amortized cost	0.0	65.8	-65.8	-100.00%
Financial assets measured at fair value through profit or loss	6,755.4	5,828.3	927.1	15.91%
Derivatives	-2,130.9	-1,419.9	-711.0	50.07%
Debt instruments measured at fair value through other comprehensive income	217.4	104.3	113.1	108.44%
Equity instruments designated as at fair value through other comprehensive income	534.8	620.2	-85.4	-13.77%
Others	-549.0	-301.9	-247.1	-81.85%
Total	4,827.6	4,896.7	-69.1	-1.41%

The investment income from financial assets measured at fair value through profit or loss increased by RMB927 million or 15.91% as compared with 2019, which was primarily due to the increase in investment scale in financial assets under improved market environment.

The investment income from derivatives is mainly derived from futures investment income, and the Company's derivatives were mainly used to hedge the risk in spot products. The decrease of RMB711 million or 50.07% for the period was mainly due to the positive market performance in 2020 which resulted in a decrease in hedging revenue.

Debt instruments measured at fair value through other comprehensive income increased by RMB113 million or 108.44% as compared with 2019, which was mainly due to the increase in the size of such debt investments.

Other investment gains decreased by RMB247 million or 81.85% as compared with 2019, which was mainly due to the increase in the scale of trading finance liabilities.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Operating expenses

In 2020, the Group's operating expenses (aside from fee and commission expenses and interest expenses) amounted to RMB14.643 billion, representing an increase of 43% as compared with 2019. Main compositions of the Group's operating expenses in 2020 are listed as follows:

Unit: RMB in million

Item	2020	2019	Change	Year-on-year growth rate
Operating expenses				
Depreciation and amortization	810.9	715.1	95.8	13.40%
Staff costs	5,448.5	4,914.8	533.7	10.86%
Bulk commodity trading expenses	6,038.5	2,695.1	3,343.4	124.05%
Other operating expenses	1,849.1	1,504.4	344.7	22.91%
Impairment losses	495.7	410.4	85.3	20.78%
Total	14,642.7	10,239.8	4,402.9	43.00%

Depreciation and amortization increased by RMB96 million or 13.40% as compared with 2019, which was primarily due to the purchases of fixed assets and the acquisitions of subsidiaries, resulting in increased depreciation and amortization.

Staff costs increased by RMB534 million or 10.86% as compared with 2019, which was primarily due to an increase in salary for improving performance in 2020.

Bulk commodity trading expense increased by RMB3.343 billion or 124.05% as compare with 2019, which was mainly attributable to the increase in costs of the warehouse receipt business.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Impairment losses of assets amounted to RMB496 million, representing an increase of RMB85 million as compared with 2019, details of which are listed as follows:

Unit: RMB in million

Item	2020	2019	Change	Year-on-year growth rate
Impairment losses				
Allowance for/(reversal of) impairment loss in respect of accounts receivable	13.6	11.5	2.1	18.26%
Impairment loss in respect of other receivables	16.1	67.2	-51.1	-76.04%
Impairment loss in respect of margin financing and securities lending business	41.3	-3.9	45.2	1,158.97%
Impairment loss in respect of financial assets held under resale agreements	214.5	254.1	-39.6	-15.58%
Impairment loss of credit of financial assets measured at amortized cost	101.9	9.3	92.6	995.70%
Impairment loss of credit of debt instruments measured at fair value through other comprehensive income	108.5	69.8	38.7	55.44%
Impairment loss of credit of bank balance	1.2	0.3	0.9	300.00%
Inventory	-1.4	2.1	-3.5	-166.67%
Total	495.7	410.4	85.3	20.78%

The Company's provision for impairment of credit assets increased in 2020 as compared to 2019 mainly due to an increase in the expected credit risk of dealer-quoted securities repurchase project, debt investments and other debt investments. The Company has prudently assessed the risks of its projects and made adequate and reasonable provision for impairment. The Company's margin financing and securities lending and other debt investments have increased rather significantly from the end of the previous year and the provision for impairment of assets has increased accordingly.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

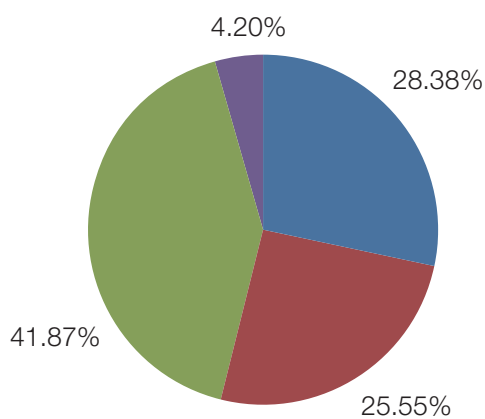
2. Asset items

As at 31 December 2020, the total assets of the Group amounted to RMB445.730 billion, representing an increase of 41.20% as compared with 2019. Among them, cash assets amounted to RMB126.506 billion, representing an increase of 37.00% with as compared with 2019; financing assets amounted to RMB113.882 billion, representing an increase of 27.73% as compared with 2019; financial investment assets amounted to RMB186.612 billion, representing an increase of 51.76% as compared with 2019; and other operational assets such as properties and equipment, mainly including settlement receivables, other receivables and prepayments, and right-to-use assets, amounted to RMB18.731 billion, representing an increase of 67.24% as compared with 2019. Major changes in the Group's total assets are listed as follows:

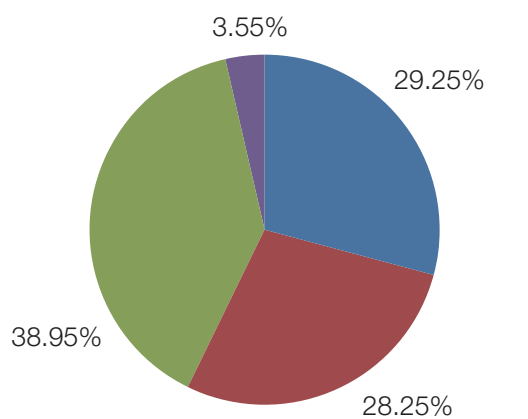
Unit: RMB in million

Item	31 December 2020	31 December 2019	Change	Year-on-year growth rate
Cash assets	126,505.5	92,341.0	34,164.5	37.00%
Financing assets	113,881.5	89,159.4	24,722.1	27.73%
Financial investment assets	186,612.4	122,965.8	63,646.6	51.76%
Operational assets such as other properties and equipment	18,730.8	11,199.7	7,531.1	67.24%
Total	445,730.2	315,665.9	130,064.3	41.20%

Analysis of assets composition as at 31 December 2020



Analysis of assets composition as at 31 December 2019



■ Cash assets
 ■ Financing assets
 ■ Financial investment assets
 ■ Operational assets such as other properties and equipment

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Cash assets

As at 31 December 2020, the Group's cash assets increased by RMB34.165 billion or 37% as compared with 2019, accounting for 28.38% 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 2020	31 December 2019	Change	Year-on-year growth rate
Cash assets				
Bank balances	92,727.6	70,329.3	22,398.3	31.85%
Clearing settlement funds	17,583.9	11,276.5	6,307.4	55.93%
Deposits with exchanges and other financial institutions	16,194.0	10,735.2	5,458.8	50.85%
Total	126,505.5	92,341.0	34,164.5	37.00%

The change in cash assets was mainly reflected in bank balances, which amounted to RMB92.728 billion, representing an increase of RMB22.398 billion or 31.85% as compared with 2019, which was mainly due to the increase in the size of client funds.

Clearing settlement funds increased by RMB6.307 billion or 55.93% year-on-year, mainly due to an increase in self-owned and customer settlement reserves.

Deposits with exchanges and other financial institutions increased by RMB5.459 billion or 50.85% compared with 2019, which was primarily due to the increase in transaction deposits.

Financing assets

As at 31 December 2020, the Group's financing assets increased by RMB24.722 billion or 27.73% as compared with 2019, accounting for 25.55% 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 2020	31 December 2019	Change	Year-on-year growth rate
Financing assets				
Advances to financing customers	82,018.4	58,721.3	23,297.1	39.67%
Financial assets held under resale agreements	31,863.1	30,438.1	1,425.0	4.68%
Total	113,881.5	89,159.4	24,722.1	27.73%

Advances to financing customers increased by 39.67% as compared with 2019 to RMB82.018 billion, which was primarily due to the growth in the size of the margin financing and securities lending business of the Group,

Financial assets held under resale agreements increased by 4.68% as compared with 2019 to RMB31.863 billion, which was primarily due to the growth in the size of the pledged government bond repurchase business at the end of the period.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Financial investment assets

As at 31 December 2020, the Group's financial investment assets increased by RMB63.647 billion or 51.76% as compared with 2019, accounting for 41.87% 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 2020	31 December 2019	Change	Year-on-year growth rate
Financial investment assets				
Investment in an associate	1,308.2	1,320.1	-11.9	-0.90%
Financial assets measured at fair value through profit or loss	92,647.0	74,039.1	18,607.9	25.13%
Financial instruments measured at amortized cost	5,789.3	5,031.3	758.0	15.07%
Debt instruments measured at fair value through other comprehensive income	52,130.2	23,017.5	29,112.7	126.48%
Equity instruments measured at fair value through other comprehensive income	33,868.2	19,349.2	14,519.0	75.04%
Derivative financial assets	869.5	208.5	661.0	317.03%
Total	186,612.4	122,965.8	63,646.6	51.76%

Debt instruments measured at fair value through other comprehensive income increased by RMB29.113 billion or 126.48%, which was mainly due to the increase in size of bond investments.

Equity instruments measured at fair value through other comprehensive income increased by RMB14.519 billion or 75.04%, which was mainly due to the increase in size of the perpetual bond invested.

Derivative financial assets increased by RMB661 million or 317.03%, mainly due to the increase in futures business and equity swap business.

As at 31 December 2020, the Group's financial assets measured at fair value through profit or loss increased by RMB18.608 billion or 25.13% as compared with 2019, accounting for 20.79% of the Group's total assets, which was mainly due to the increase in the size of investment in debt securities, stocks and funds. The composition of the Group's financial assets measured at fair value through profit or loss is listed as follows:

Unit: RMB in million

Item	31 December 2020	31 December 2019	Change	Year-on-year growth rate
Financial assets measured at fair value through profit or loss				
Debt securities	49,534.1	47,983.2	1,550.9	3.23%
Equity securities	14,652.1	5,802.8	8,849.3	152.50%
Funds	15,308.7	10,699.7	4,609.0	43.08%
Trust schemes	44.0	547.4	-503.4	-91.96%
Other investments	13,108.1	9,005.9	4,102.2	45.55%
Total	92,647.0	74,039.1	18,607.9	25.13%

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Other operational assets such as properties and equipment

As at 31 December 2020, the Group's other operational assets such as properties and equipment amounted to RMB18.731 billion, increasing by RMB7.531 billion or 67.24% as compared with 2019, accounting for 4.20% of the Group's total assets. The composition of the Group's other operational assets such as properties and equipment as at the date indicated below is listed as follows:

Unit: RMB in million

Item	31 December 2020	31 December 2019	Change	Year-on-year growth rate
Other operational assets such as properties and equipment				
Property and equipment	435.7	382.8	52.9	13.82%
Goodwill	426.5	439.5	-13.0	-2.96%
Other intangible assets	525.1	493.5	31.6	6.40%
Deferred tax assets	69.2	99.8	-30.6	-30.66%
Accounts receivable	12,215.0	5,116.8	7,098.2	138.72%
Tax recoverable	116.9	370.8	-253.9	-68.47%
Other receivables and prepayments	4,012.1	2,948.6	1,063.5	36.07%
Right-of-use assets	922.5	1,339.7	-417.2	-31.14%
Investment properties	7.8	8.0	-0.2	-2.50%
Total	18,730.8	11,199.7	7,531.1	67.24%

Accounts receivable increased by RMB7.098 billion or 138.72% year-on-year, mainly due to the increase in settle receivables of overseas subsidiaries.

Other receivables and prepayments increased by RMB1.064 billion or 36.07% as compared with the corresponding period last year, which was mainly due to an increase in hedging items resulting from the hedging transactions and deposits from overseas clients.

The year-on-year decrease in right-of-use assets of RMB417 million was mainly due to the imminent expiry of some rental leases for the Company's headquarters.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

3. Liability items

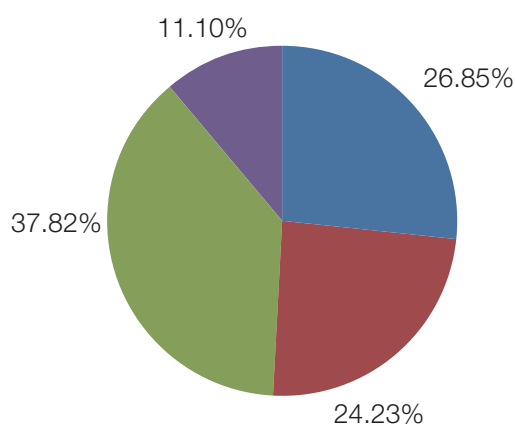
As at 31 December 2020, the Group's total liabilities amounted to RMB363.722 billion, increasing by RMB119.978 billion or 49.22% as compared with 2019. In order to vigorously develop the capital intermediary market, the Company increased the level of financial leverage, expanded the scale of financing and raised funds through various channels. As at 31 December 2020, accounts payable to brokerage clients was RMB97.671 billion, representing an increase of 21.32% as compared with 2019; financial assets sold under repurchase agreements was RMB88.113 billion, representing an increase of 60.63% as compared with 2019; due to banks and placements, etc. was RMB137.567 billion, representing an increase of 43.84% as compared with 2019. Major changes in the Group's total liabilities are listed as follows:

Unit: RMB in million

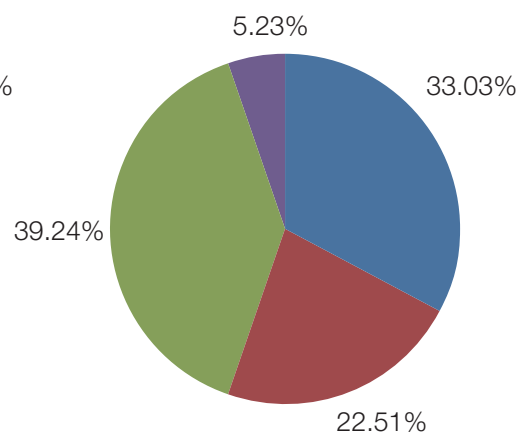
Item	31 December 2020	31 December 2019	Change	Year-on-year growth rate
Liabilities				
Accounts payable to brokerage clients	97,670.9	80,508.9	17,162.0	21.32%
Financial assets sold under repurchase agreements	88,113.4	54,855.7	33,257.7	60.63%
Due to banks and placements, etc.	137,566.5	95,635.6	41,930.9	43.84%
Other operational liabilities	40,371.2	12,744.1	27,627.1	216.78%
Total	363,722.0	243,744.2	119,977.8	49.22%

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

Analysis of liabilities composition as at 31 December 2020



Analysis of liabilities composition as at 31 December 2019



■ Accounts payable to brokerage clients ■ Financial assets sold under repurchase agreements ■ Due to banks and placements, etc ■ Other operational liabilities

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Due to banks and placements, etc.

Unit: RMB in million

Item	31 December 2020	31 December 2019	Change	Year-on-year growth rate
Due to banks and placements, etc.				
Due to banks and other financial institutions	23,610.7	13,952.7	9,658.0	69.22%
Debt instruments	54,263.4	24,017.8	30,245.6	125.93%
Bonds payable	59,692.4	57,665.1	2,027.3	3.52%
Total	137,566.5	95,635.6	41,930.9	43.84%

The amount payable to banks and non-bank financial institutions was RMB23.611 billion, representing an increase of 69.22% as compared with 2019, which was primarily due to the increase in inflow of margin and securities financing and short-term borrowings of Galaxy International Holdings.

Debt instruments increased by RMB30.246 billion year on year, mainly due to the increase in the issuance size of short-term corporate bonds and short-term income certificates of the Company.

Bonds payable increased by RMB2.027 billion year on year, mainly due to the increase in the issuance size of long-term corporate bonds of the Company.

Other operational liabilities

Unit: RMB in million

Item	31 December 2020	31 December 2019	Change	Year-on-year growth rate
Accrued staff costs	3,714.2	3,354.7	359.5	10.72%
Other payables and accruals	23,420.8	5,554.2	17,866.6	321.68%
Income tax liabilities	127.4	49.2	78.2	158.94%
Financial liabilities measured at fair value through profit or loss	10,030.7	1,718.1	8,312.6	483.83%
Lease liabilities	913.5	1,336.7	-423.2	-31.66%
Derivative financial liabilities	1,973.4	469.8	1,503.6	320.05%
Deferred tax liabilities	191.2	261.4	-70.2	-26.86%
Total	40,371.2	12,744.1	27,627.1	216.78%

The year-on-year decrease in lease liabilities of RMB423 million was mainly due to the imminent expiry of some of the rental leases of the Company's headquarters.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Accrued staff costs increased by RMB360 million or 10.72% as compared with 2019, which was primarily due to the increase in the Group's financial results, which resulted in an increase in the performance based salaries.

Other payables and accruals increased by RMB17.867 billion or 321.68% as compared with 2019, which was primarily due to the increase in margin trading business payables, business settlement payables to clients, performance deposits payable to clients.

Financial liabilities measured at fair value through profit or loss increased by RMB8.313 billion year on year, representing an increase of 483.83% over the same period of last year, mainly due to the increase in the scale of stock index linked income certificates, gold forward linked income certificate and income swap products.

Derivative financial liabilities increased by RMB1.504 billion or 320.05% year on year, mainly due to the change in fair value of equity derivatives.

4. Equity items

As at 31 December 2020, the Group's total equity was RMB82.008 billion, representing an increase of 14.02% as compared with 2019. The following table sets forth the composition of the Group's equities as at the dates indicated:

Unit: RMB in million

Item	31 December 2020	31 December 2019	Change	Year-on-year growth rate
Share capital	10,137.3	10,137.3	0.0	0.00%
Other equity instruments	4,962.2	–	4,962.2	Not applicable
Reserves	43,854.2	41,842.4	2,011.8	4.81%
Retained profits	22,300.9	18,915.9	3,385.0	17.89%
Non-controlling interests	753.5	1,026.1	-272.6	-26.57%
Total	82,008.1	71,921.7	10,086.4	14.02%

Other equity instruments of RMB4.962 billion were incurred during the Reporting Period, mainly due to the issuance of perpetual subordinated bonds of securities companies.

Non-controlling interests decreased by RMB273 million or 26.57% as compared with 2019, which was mainly due to decrease in non-controlling interests as a result from the acquisition of 16.68% equity interests in Galaxy Futures during the year.

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.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

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

Unit: RMB in million

	2020		2019	
	Amount	Percentage	Amount	Percentage
Securities brokerage	16,075.9	51.41%	12,344.6	52.54%
Futures brokerage	6,661.4	21.30%	3,527.8	15.02%
Proprietary trading and other securities trading services	5,411.3	17.31%	6,653.8	28.32%
Investment banking	809.9	2.59%	427.8	1.82%
Asset management	555.9	1.78%	687.0	2.92%
Private equity investment	401.0	1.28%	260.4	1.11%
Overseas business	1,818.8	5.82%	1,608.9	6.85%
Others	343.0	1.10%	-1,025.6	-4.37%
Inter-segment eliminations	-810.0	-2.59%	-991.2	-4.22%
Total	31,267.2	100.00%	23,493.5	100.00%

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

Unit: RMB in million

	2020		2019	
	Amount	Percentage	Amount	Percentage
Securities brokerage	9,849.8	44.43%	8,858.9	53.13%
Futures brokerage	6,177.4	27.86%	3,219.5	19.31%
Proprietary trading and other securities trading services	3,111.9	14.04%	2,804.9	16.82%
Investment banking	408.4	1.84%	359.9	2.16%
Asset management	425.0	1.92%	612.2	3.67%
Private equity investment	80.4	0.36%	84.0	0.50%
Overseas business	1,623.8	7.32%	1,559.7	9.36%
Others	825.7	3.72%	-376.4	-2.26%
Inter-segment eliminations	-331.3	-1.49%	-448.5	-2.69%
Total	22,171.1	100.00%	16,674.2	100.00%

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

The following table sets forth segment result (i.e., 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

	2020		2019	
	Amount	Percentage	Amount	Percentage
Securities brokerage	6,226.1	68.00%	3,485.7	51.03%
Futures brokerage	483.9	5.28%	308.2	4.51%
Proprietary trading and other securities trading services	2,299.3	25.11%	3,848.8	56.35%
Investment banking	401.5	4.38%	67.9	0.99%
Asset management	130.9	1.43%	74.8	1.09%
Private equity investment	320.6	3.50%	176.5	2.58%
Overseas business	255.7	2.79%	60.1	0.89%
Others	-482.6	-5.26%	-649.1	-9.50%
Inter-segment eliminations	-478.7	-5.23%	-542.8	-7.94%
Total	9,156.7	100.00%	6,830.1	100.00%

(vi) Contingent liabilities

Nil

(vii) Analysis of investments

Unit: RMB in million

Item	31 December 2020		The period from 1 January 2020 to 31 December 2020		
	Initial investment cost/nominal value	Fair value	Net interest income	Investment gains	Changes in fair value
Financial assets at fair value through profit or loss	90,047.45	92,647.01	-	5,932.52	822.84
Debt instruments at fair value through other comprehensive income	51,563.21	52,130.23	1,610.69	217.38	-636.15
Equity instruments at fair value through other comprehensive income	33,235.42	33,868.19	-	534.76	230.88
Financial liabilities at fair value through profit or loss	9,788.14	-10,030.75	-	-476.50	-72.54
Derivative financial instruments	404,204.53	-1,103.91	-	-1,278.24	-852.49

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(viii) Analysis of major controlled companies and investees

- (1) As at the End of the Reporting Period, Galaxy Futures has a registered capital of RMB1.2 billion; its registered capital increased to RMB2.30 billion on 6 January 2021, in which the Company holds 100% equity interest. Its major business scope is commodity futures brokerage, financial futures brokerage, futures investment consultancy, assets management and sales of funds. According to the financial statements prepared in accordance with Chinese Accounting Standards for Business Enterprises, as at 31 December 2020, the total assets and net assets of Galaxy Futures were RMB40.170 billion and RMB3.566 billion, respectively. In 2020, it achieved an operating income and a net profit of RMB7.229 billion and RMB361 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 asset management, project investment and investment management, etc. According to the financial statements prepared in accordance with Chinese Accounting Standards for Business Enterprises, as at 31 December 2020, the total assets and net assets of Galaxy Capital were RMB1.319 billion and RMB1.096 billion, respectively. In 2020, it achieved an operating income and a net profit of RMB95 million and RMB34 million, respectively.
- (3) Galaxy International Holdings has a registered capital of HK\$3.261 billion, in which the Company holds 100% equity interest. Its major business scope is to provide services of securities and futures brokerage, research and analysis, investment banking, margin financing and securities lending, asset management, wealth management, foreign exchange trading and derivatives, etc. in regions and countries such as Hong Kong, Singapore, Malaysia, Indonesia, Thailand, India, South Korea, the United Kingdom and the United States and other countries through a number of wholly-owned subsidiaries and joint ventures, CGS-CIMB Securities and CGS-CIMB Holdings. According to the financial statements prepared in accordance with Chinese Accounting Standards for Business Enterprises, as at 31 December 2020, the total assets and net assets of Galaxy International Holdings were RMB31.103 billion and RMB4.047 billion, respectively. In 2020, it achieved an operating income, a net profit and a net profit attributable to owners of the company of RMB1.618 billion, RMB198 million and RMB159 million, respectively.
- (4) Galaxy Jinhui has a registered capital of RMB1.0 billion, in which the Company holds 100% equity interest. Its major business scope is securities assets management. According to the financial statements prepared in accordance with Chinese Accounting Standards for Business Enterprises, as at 31 December 2020, the total assets and net assets of Galaxy Jinhui were RMB1.969 billion and RMB1.326 billion, respectively. In 2020, it achieved an operating income and a net profit of RMB604 million and RMB98 million, respectively.
- (5) Galaxy Yuanhui has a registered capital of RMB3 billion, in which the Company holds 100% equity interest. Its major business scope is proprietary investment to enterprises business (including equity investment or bond investment), or to invest in other investment funds related to equity investment and bond investment. According to the financial statements prepared in accordance with Chinese Accounting Standards for Business Enterprises, as at 31 December 2020, the total assets and net assets of Galaxy Yuanhui were RMB3.431 billion and RMB3.289 billion, respectively. In 2020, it achieved an operating income and a net profit of RMB317 million and RMB211 million, respectively.

(ix) Structured entities controlled by the Company

As of 31 December 2020, the Group consolidated 40 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 scope of the consolidation after considering the investment decision-making right on them, the exposure to variable returns and other factors. As at 31 December 2020, the equity of the above structured entities incorporated into the consolidation attributable to the Company was RMB6.150 billion.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(x) Others

1. ***Establishment and disposal of securities branches, branch offices and subsidiaries during the Reporting Period***

As at the End of the Reporting Period, the Company had a total of 36 branch offices and 491 securities branches.

(1) Cancellation of securities branch

During the Reporting Period, the Company implemented the cancellation of Hekou Fu'an Road Securities Branch and Zuoquan Jiangjun Road Securities Branch in accordance with the relevant regulations. The Company started the cancellation of Hekou Fu'an Road Securities Branch in 2019, and returned the Business License for Operating Securities and Futures Business of such securities branch to Yunnan Securities Regulatory Bureau in accordance with the regulatory regulations in January 2020 after completing the cancellation procedures of industrial and commercial registration.

The Company started the cancellation of Zuoquan Jiangjun Road Securities Branch in 2020, and returned the Business License for Operating Securities and Futures Business of such securities branch to Shanxi Securities Regulatory Bureau in accordance with the regulatory regulations in December 2020 after completing the cancellation procedures of industrial and commercial registration.

(2) Relocation of branch offices and securities branches

The Company has constantly adjusted and optimized the branch layout. During the Reporting Period, the Company relocated 51 branches within the same city, including 7 branch offices and 44 securities branches, namely Henan branch office, Inner Mongolia branch office, Hubei branch office, Tianjin branch office, Shanxi branch office, Jilin branch office, Gansu branch office; Zhengzhou Intelligence Island Securities Branch, Guangzhou Nansha Haibin Road Securities Branch, Hohhot Ulanqab East Street Securities Branch, Shanghai Xinzha Road Securities Branch, Zunyi Hong Kong Road Securities Branch, Changji Securities Branch, Xiangyang Securities Branch, Linyi Yimeng Road Securities Branch, Shenzhen Pingshan Securities Branch, Shantou Songshan Road Securities Branch, Shenzhen Shennan Avenue Securities Branch, Xuchang Wenfeng Road Securities Branch, Tongxiang Century Avenue Securities Branch, Shenzhen Jintian Road Securities Branch, Xiamen Haitian Road Securities Branch, Shantou Jinsha Road Second Securities Branch, Huozhou Xinjian South Road Securities Branch, Hangzhou Fengqi Road Securities Branch, Wuhan Zhongnan Road Securities Branch, Yangzhou Wenchang Middle Road Securities Branch, Shenyang Hong Kong Road Securities Branch, Tianjin Luneng International Center Securities Branch, Beijing Lize Securities Branch, Shanghai Gubei Road Securities Branch, Weifang Beihai Road Securities Branch, Liaoyang Xinyun Street Securities Branch, Wuhan Xinhua Road Securities Branch, Taiyuan Yingze Bridge West Securities Branch, Beijing Asian Games Village Securities Branch, Taizhou Ginza North Street Securities Branch, Foshan Shunde Yixing Road Securities Branch, Changchun Qianjin Street Securities Branch, Beijing Sun Palace Securities Branch, Lanzhou Donggang West Road Securities Branch, Shenyang Langyue Street Securities Branch, Jiexiu Xinhua North Street Securities Branch, Wuhan Jiayu Bridge Securities Branch, Zhuzhou Lushan Road Securities Branch, Chongqing Danzishi Securities Branch, Wuhan Optics Valley Securities Branch, Hefei Qimen Road Securities Branch, Beijing Dawang Road Securities Branch, Beijing Zhichun Road Securities Branch, Beijing Hujialou Securities Branch.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

2. Introduction to account regulation

During the Reporting Period, the Company further implemented the long-term mechanism of account regulation management, strictly complied with the Measures for the Management of Customer Accounts, Implementation Rules for the Management of Customer Data and Operating Procedures for Over-the-Counter Brokerage Business formulated by the Company, and realized centralized verification of account information and centralized management of images, to ensure that the newly opened accounts met the standards for qualified accounts; completed the procedures for activation of dormant accounts and regulation of unqualified accounts in strict accordance with the operating procedures, to ensure the orderly commencement of account regulation business.

During the Reporting Period, there was no risk disposition account under the branches, and the Company's original unqualified accounts were regulated orderly. As at the End of the Reporting Period, the Company had 1,792 unqualified fund accounts. During the Reporting Period, the Company had nil new petty dormant account, and re-activated 9,541 petty dormant fund accounts. The Company logged 2,582,249 petty dormant fund accounts as at the End of the Reporting Period (including 536,108 pure fund accounts under management with reference to standards for dormant account management). Besides, the Company scored 177 fund accounts judicially frozen as at the End of the Reporting Period, an increase of 39 accounts.

3. Business innovation and its influence and risk control during the Reporting Period

(1) Business innovation

During the Reporting Period, the Company actively carried out credit derivative business innovation, conducted core credit protection contract dealer filing, obtained business qualifications such as the qualification for the first batch of market makers for national debts and futures business in the China Financial Futures Exchange, and strengthened the sales of financial products.

(2) Risk control for business innovation

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

① Carrying out risk assessment from multiple perspectives

At the early stage of innovative business, the Company's business departments first carried out risk self-assessment and conducted a comprehensive analysis of the operation model of innovative business, main risks, measurement models, potential losses under pressure scenarios and supporting measures to cope with risks. The Company's risk and compliance departments or external experts conducted independent assessment of areas including laws and regulations, risk appetite, basic assumptions of risk management, risk point control and risk model from their respective professional perspectives. Based on the assessment results, the Company made decisions on innovative business and determines the conditions for business launch and the relevant restrictive requirements.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

② Making preparations for risk control before the launch of business

All innovative businesses of the Company are required to undergo risk identification, analysis and assessment and shall not be launched until the corresponding risk control conditions are fulfilled. The basic conditions for risk control include: supporting system and procedures, applicable risk control indicator system, necessary personnel and system support. The Company incorporated the innovative business into the hierarchical risk limit management system, which laid a foundation for the safe operation of the innovative business.

③ Continuous follow-up and management after the launch of business

After the innovative business is launched and put into operation, it is incorporated into the daily risk management system for risk measurement, monitoring, assessment and reporting. The Company valued risk process management, continuously followed up the risk trend, and took timely measures to deal with the abnormal risk identified. In the operation process of innovative business, the Company timely adjusted the supporting system process, risk limit, risk control standard and system function in line with the change of risk level in different development stages of such business, in order to meet the needs of business development and risk management.

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

(i) Industry landscape and trend

In 2020, the capital market continuously promoted epidemic prevention and control, reform deepening, risks prevention and other work, the overall liquidity loosed, the index fluctuated upward, and the securities industry achieved good growth. Looking forward to 2021, with the reform of capital market and the transformation of industry operation mode, excellent brokers will follow the development path of focusing on both light asset business and heavy asset business and effectively managing and overcoming risks to business development arising from the COVID-19 outbreak, driving the growth of ROA with the increase of value rate of “light asset business,” and driving the increase of equity multiplier with the “heavy asset business “ plus leverage. Specifically, the business model of wealth management focusing on buyer investment and asset allocation has emerged, the trading activity is expected to improve, and the brokerage business will maintain a high prosperity; the reform of the registration system will continue to drive the positive development of investment banking business, direct investment business and PE fund management business, and the investment banking business will enter a stage of high-level development; the proprietary business will continue to explore the business mode of “de-directional” investment to reduce the revenue volatility of the proprietary business, and the investment and financing linkage may become the main growth point; the scale of asset management channel business will continue to shrink, the active management transformation will promote the improvement of collective scale, and large asset management segments such as public offering, broker capital management and private equity show a trend of the strong still getting stronger; the targets for securities margin trading will continue to expand and are expected to usher in a new round of innovative development.

(ii) Development strategy of the Company

In 2021, the Company will continue to implement its business model of “Dual-wheel Drive and Coordinated Development”, optimize its management mechanism of “centralized organization + line supervision + hierarchical management”, and build an integrated business system of “wealth management, investment and financing, international business”. On the basis of transformation development and preliminary consolidation, the Company will actively promote supply side structural reform in line with the national development strategies and macro-economic trend in the PRC, and capture market opportunities to pursue strategic mergers and acquisitions and promote expansional development. It will adopt various strategic measures to drive itself to improve competitiveness and achieve high-quality development, and strive to make steady progress in the Group’s operating results and become a systemically important securities financial institution.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(iii) Operation plans

2021 is the first year of the “14th Five-Year Plan”, and an important year for the Company’s “three-year consolidation period” serving as a connecting link between the past and the future. With the development reaching a new level, the Company will continue to strengthen its wealth management and investment and financing business systems, consolidate the achievements of the transformation period and gradually realize the transformation of its income-generating mode. In addition, the Company will further improve its international business system to lay a solid foundation for building the basic structure of an international investment bank. In particular, for wealth management business, the Company will continue to optimize the development of the wealth management business system, improve the development of standardized hierarchical investment advisory services, the training of professional talent teams of headquarters and branches and the development of supporting incentive mechanism. For investment and financing business, the Company will continue to implement its deployment for serving major national strategies, serving the real economy and the transformation and development of the Company, and further improve its expertise and profitability according to market changes and customer needs. For international business, while following the principle of “seeking progress in stability” and striving to develop the international business under the “channel + quota” structure, the Company will explore the development of an international business system with securities companies as the leading role and “account system” as the infrastructure, enhance the initiative and coordination of international business of securities companies, and integrate overseas business into a unified compliance risk control system. By centering around the “Belt and Road Initiative” and the development of the Guangdong-Hong Kong-Macao Greater Bay Area and free trade zones, the Company will establish an international business system structure with Galaxy International Holdings, CGS-CIMB Securities, Hainan Branch and Guangdong Branch of the Company as basic platforms and Southeast Asia as the core and covering Asia, choose an opportunity to enter the African and East European markets and keep an eye on developed markets such as the United States and Europe.

(iv) Potential risks

During the Reporting Period, the outbreak and evolution of the COVID-19 epidemic as well as various intertwined risk factors increased the difficulty and complexity of the risk management of the Company. By closely focusing on the two major objectives of fully improving the risk management ability and effectively preventing and controlling major risks, the Company carried out risk management and improved the comprehensive risk management system and comprehensive risk management organizational system, clarified the risk management responsibilities of the “three lines of defense”, implemented hierarchical risk indicator management, continuously optimized the mechanism for risk identification, assessment, measurement, monitoring, early warning, screening, reporting and response, valued and strengthened the construction of risk management talents team, continuously promoted the construction of risk data governance and system, deepened the vertical risk management of the subsidiaries, and effectively established a “penetrating, full coverage” group risk management system. Furthermore, the Company continued to promote the construction and improvement of the internal control system, gradually realized the internal control and coordination mechanism of data sharing, achievement sharing and system platform sharing, and ensured the effectiveness of the internal control system of the Company. The Company continued to increase IT investment, conducted IT basic research and construction, promoted the comprehensive and in-depth independent development to ensure safe and steady system operation, and to provide effective support for its business development. To meet the requirements of business development, operation and management, the Company constantly enlarged additional risk control, compliance and IT workforce to further enhance its core competitiveness of comprehensive risk management. During the Reporting Period, the overall risk of the Company was under control and no major risk occurred.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

1. Major risks affecting the operations of the Company

The risks faced by the Company in business activities mainly include market risk, credit risk, liquidity risk, operational risk, cyber security risk, etc. During the Reporting Period, the Company adopted effective measures to actively address various risks and guaranteed the smooth commencement of operating activities.

(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 securities price risk, interest rate risk and currency rate risk, etc.

① Securities price risk

Securities 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 rate risk).

The securities 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 exposures of the Company's positions were 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 limit management to control indicators such as the scale of risk exposure, concentration level 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. As at the End of the Reporting Period, the VaR of the total investment portfolio of the Company amounted to approximately RMB114 million.

② Interest rate risk

Interest rate risk refers to the risk 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 interest rate risk of the Company was under control.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

③ Exchange rate risk

Exchange 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 exchange rate risk actually encountered by the Company is not significant. With the gradual expansion of our international business as well as the progress in the internationalization of RMB, the exchange rate risks of the Company will increase gradually. The Company will adopt reasonable and effective measures to hedge and manage exchange rate 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. In the pre-evaluation phase, the Company continuously promoted the establishment of negative list management mechanism, constantly improved the internal credit rating and credit limit management mechanism, timely adjusted the credit limit based on the customer's credit status, and controlled the risk concentration. In the management phase of the duration, the Company regularly evaluated and monitored the credit risks, 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 in a timely manner; strengthened the risk identification and analysis, implemented regular risk investigation, and formulated risk response measures in advance.

During the Reporting Period, the Company's credit risk preference for bond investment remained relatively stable. The investors of credit bonds were mainly central enterprises and state-owned enterprises, with AA+ level or above accounting for approximately 91%, and the credit rating was generally high and the default risk was low. As at the End of the Reporting Period, the Company maintained an average margin ratio of 270% for its margin financing and securities lending clients with outstanding liabilities, and an average margin ratio of 348% for its stockpledged repurchase clients with outstanding liabilities. The overall credit risk of the Company was within the acceptable range.

(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 limit and established and continued to optimize 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 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 currency market, capital market and bank credit. During the Reporting Period, the overall liquidity risk of the Company was under control, the high-quality liquid assets and reserves were relatively sufficient, and various 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 internal events including the defect of the Company's process, misconduct of personnel or system failures, or from such external events as natural disaster and fraud.

In order to manage operational risk effectively, the Company established the sound operational risk management system, fully implemented the three management tools of operational risk and control self-assessment (RCSA), key risk index management (KRI) and loss data collection (LDC), and continuously promoted the construction and functional improvement of the operational risk management system. The Company promoted the improvement of the internal control system by optimizing the management of operational risks, and by establishing a coordination mechanism of internal control departments, realized the sharing of data, results and system platforms, and improved the internal control linkage and work quality and efficiency. During the Reporting Period, the overall operational risk of the Company was under control.

(5) Cyber security risk

Cyber risk refers to the risks involved in availability or integrity of data generated by the use of information and communication technologies of the Company, as well as risks including property damage caused by business interruptions as a result of the Company's cyber operation technologies.

In order to effectively cope with and manage the cyber risks, the Company mainly adopted the following measures: establishing and improving the network security management system, making full use of various technologies, building a network security management ensuring system; formulating a system for disaster recovery and offsite backup within the same city, and ensuring a safe physical network environment; using data backup technology and hardware redundancy backup technology to improve the security level of hardware, software and data. The Company also maintained good information security management and control in key matters, including network planning and isolation, information system security baseline, access to network, office terminal control and so on; deploying antivirus and data anti-leakage systems, installing firewalls and other anti-network attack security devices at network boundaries; conducting security vulnerability scanning on important systems on a regular basis and engaging external security companies to carry out security assessments and penetration tests for essential systems. During the Reporting Period, the overall cyber risk of the Company was under control and the important information technology systems of the Company were operated in a safe and stable manner.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

2. Countermeasures and measures the Company has taken or planned to take

The Company always attaches great importance to risk management, continues to improve the construction of the risk management system, strengthens the application of risk management methods and tools, accelerates the construction of risk management information systems, implements risk management throughout the entire process, and practically promotes risk management based on consolidated management, to ensure that the Company's reform and transformation and business development are in smooth progress.

(1) Deepening the construction of the Group's comprehensive risk management system

The Company's board of directors and operating management at all levels attach great importance to risk management, firmly establish a bottom-line thinking, practice the important mission of preventing and resolving financial risks, organize leaders to deepen the Group's comprehensive risk management tasks, continuously improve the risk management environment, and enhance risk management guarantees, to improve the level of risk management. The Company has established and improved the Group's risk appetite, optimized the hierarchical risk limit management system, continued to improve the risk management system, strengthened risk monitoring, optimized the risk reporting system, strengthened risk management culture propaganda and training, and incorporated subsidiaries into the unified risk management system to effectively deepen the construction of a risk management system across the Group.

(2) Strengthening the application of risk management methods and tools

By strengthening the application of risk management methods and tools, the Company fully identified and prudently evaluated various risks, and continuously monitors the risks. The Company further strengthened risk assessment and measurement, researched and applied various professional risk management methods and tools to measure the Company's risk and implement corresponding controls, including: ①Strengthening market risk assessment technologies including sensitivity analysis, scenario analysis, value at risk (VaR), stress testing; ②Continuously optimizing the internal credit rating system and establishing a negative list management mechanism; ③Establishing basic operational risk tools such as loss database, key risk indicators, risk control and self-assessment; ④Adopting financing capacity analysis, asset realization analysis, and dynamics and static cash flow forecasting, stress testing and other liquidity risk assessment methods; ⑤Optimizing economic capital management and deepening the application of economic capital.

(3) Further promoting the construction of risk management information system

The Company built a risk management system group in accordance with the principles of "clear structure, comprehensive coverage, complementary, complete functions, and group sharing" to improve the information, automation, and intelligence of risk management, and based on group data integration and governance and guided by risk management requirements, it designed the overall structure of the risk management system to complete the transformation of related production systems and support systems. As of the End of the Reporting Period, the Company has built a group risk data mart, a market risk measurement platform, an internal credit rating system, an operational risk management system, a financing business risk monitoring system, a liquidity risk management system, a balance sheet management system, and comprehensive risk management platform, etc. The construction of various risk management systems is steadily advancing, effectively supporting the centralized monitoring, pre-warning and reporting of Group risks.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(4) Implementing “full coverage and penetrating” vertical risk management

The Company implemented risk management throughout the entire process of various businesses, and further promoted vertical risk management for subsidiaries with the aid of combined management. The Company established a unified subsidiary vertical risk management mechanism, formulated a differentiated subsidiary risk management plan, controlled the subsidiary’s basic system, important quota, major investment decision-making, new business and new products and other important risk links; collected various risk data of the subsidiary to include in the Group’s risk measurement, monitoring and reporting; implemented management of personnel in key risk positions in subsidiaries, assigned risk management personnel to overseas subsidiaries, and effectively strengthened risk management and control over subsidiaries.

(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 2020, the Company has conducted dynamic monitoring of routine net capital and liquidity risk control indicators using the risk control indicator dynamic monitoring system, realising real-time and dynamic monitoring and pre-warning of the Company’s net capital and liquidity risk control indicators. On 23 January 2020, the CSRC issued “Regulations on the Calculation Standards for Risk Control Indexes of Securities Companies” [Announcement No. 10], which was effective from 1 June 2020. The Company completed the upgrade and transformation of the dynamic monitoring system for risk control indicators before 1 June 2020 to meet the regulatory requirements for dynamic monitoring of 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 debts, effective measures have been promptly taken, such as short-term borrowings and issuance of long-term bonds 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 2020 showed that all of the Company’s net capital and liquidity risk control indicators continued to conform to regulatory provisions. Based on the market and business development needs, we carried out stress test mechanism and sensitivity analysis on both regular and ad hoc basis to analyze 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 2020, the Company strengthened asset-liability matching management, ensured safe liquidity, reasonable asset pricing, and optimized asset allocation, and strove to improve the asset-liability management level of the Company. 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 issuing income certificates and short-term commercial papers, etc. It replenished the long-term available stable fund to increase the net stable fund rate through the issuance of long-term corporate bonds and subordinated debts, etc. 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 started the financing programme at an appropriate time based on the market conditions to guarantee the level of the capital adequacy. As at the end of December 2020, the Company issued 9 long-term subordinated debts and 1 perpetual bond to replenish net capital of subsidiaries with RMB13.7 billion and enhance their net capital strength.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(VI) Construction of risk management system

The Company has established an upper level of risk management structure system consisting of the Board of Directors, the Supervisory Committee and the management. The basic level of the risk management structure of the Company 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 of shareholders of the Company, 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 Compliance and Risk Management Committee and the 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 risk management measures and the performance of duties by relevant senior management officers. It proposes risk management improvement advice to the Board on a regular basis, and supervises the management 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 suggestions 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 supervision and inspection 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, and urging rectification.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

3. The Management

The management is primarily responsible for risk management and performs risk management duties according to the authorization given by the Board, which includes: (i) formulating risk management systems and adjusting them timely; (ii) establishing and developing 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.

The Chief Risk Officer and Compliance Officer, both appointed by the Board of Directors, are in charge of the risk management and compliance management of the Company. The Chief Risk Officer is the person-in-charge of the overall risk management of the Company and is responsible for supervising the implementation of risk management policies and procedures and establishing comprehensive risk management systems. The Chief Risk Officer reports risk management situation and potential risks to the Board of Directors, the Supervisory Committee and major operating management personnel. The Compliance Officer is the person-in-charge of the compliance management of the Company and examines, supervises and inspects the compliance of business operation management of the Company and its employees. The Compliance Officer reports to the Board of Directors, the Supervisory Committee and major operating management personnel if any illegal activities and non-compliance incidents or potential compliance risks was found in the Company, and puts forward suggestions and urges for rectification.

4. Departments, branches and subsidiaries

Business departments, functional departments and branches of the Company are charged with the first responsibility in risk management. They shall execute the Company's risk management policies and systems, fully understand 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 full time/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.

The risk management department shall be responsible for promoting the comprehensive risk management under the leadership of the Chief Risk Officer, and shall coordinate the risk management work and independently identify, assess, monitor and report the overall risk, market risk, credit risk, operational risk and liquidity risk, shall provide risk management suggestions for business decisions, and shall assist, guide and inspect the risk management of all departments, branches and subsidiaries.

The Legal Compliance Department is the supporting department for the identification, assessment, supervision, inspection and reporting of the legal risk and compliance risk of the Company, and is responsible for providing professional support services for laws and regulations to the Company's departments and branches and providing guarantee for its compliance operation.

The case prevention and control department shall assume the responsibility of the case prevention and control management, take the lead in the organization, coordination, management promotion, supervision and evaluation of the case prevention and control work, establish and implement the case prevention and control work system and case management work system to prevent and control case risks.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

The office shall be responsible for discovering, identifying and reporting reputation risks in a timely manner, and shall put forward comprehensive recommendations for addressing reputation incidents, control the scope and extent of reputation incidents, and guide, coordinate, and supervise other departments, branches and subsidiaries to implement the reputation risk management of the Company.

The internal audit department shall conduct export management and terminal risk control for investment banking projects in the form of company-level audit; and shall perform the final approval and decision-making responsibilities of submitting, reporting, issuing or disclosing materials and documents on behalf of the Company; and shall perform the functions of the standing office of the internal audit committee for investment banking business.

The financial management department shall be responsible for the capital allocation and liquidity management of the Company, and shall measure, monitor and report on the risk control indicators of the securities companies.

The audit department shall be responsible for independent and objective review and evaluation of the adequacy and effectiveness of risk management, supervise the relevant responsible personnel to rectify when problems are identified, and follow up the implementation of the rectification measures.

The information technology department is responsible for the identification, evaluation, monitoring, reporting and response of information technology related risks to ensure the security and stability of the information system.

The HR department, the settlement management department, the research institute and other functional departments shall perform the risk management responsibilities within their respective terms of reference, and shall be mainly responsible for identifying, evaluating, monitoring and reporting the risks related to human resources loss, settlement and corporate strategy, etc.

The subsidiaries shall establish their own risk management organizational structure, system process, information technology system and risk control indicator system based on the risk preference and system framework of the parent company, the comprehensive risk management requirements of the parent company for the subsidiaries, and in combination with its own capital strength, risk bearing capacity and business complexity, so as to ensure the consistency and effectiveness of comprehensive risk management. The subsidiaries shall fully understand and consider various risks related to the business in its decision-making, and identify, assess, monitor, respond to and report relevant risks in a timely manner.

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. Analysis of 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. Important Issues after the Period” in this report.

For the financial key performance indicators of the Company, please refer to “Section II Company Profile and Major Financial Information – VII. Major Accounting Data and Financial Indicators” in this report.

For the environmental policies and performance of the Company, please refer to “XV. Other Disclosures – (viii) Active 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) Active performance of social responsibilities” of this section, “Section VI Other Significant Events – VI. Other Material Issue” 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 – (vi) Major clients and suppliers and (viii) Active performance of social responsibilities” of this section.

The contents above form part of the Directors’ Report.

II. PLANS FOR PROFIT DISTRIBUTION OF ORDINARY SHARES 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 listed 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; and 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, and if the Company has met the conditions for cash dividends, it shall give priority to cash dividends for profit distribution. If the relevant conditions are satisfied, interim profit distribution may be made by the Company. Unless the Company has major capital expense arrangement or except for other special circumstances as approved at the shareholder's general meeting, 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 parent 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, depending on true and reasonable factors such as the Company's cash flow position, business growth and net assets per share, the Company may distribute profit by way of dividends. 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)

Unit: Yuan Currency: RMB

Year of distribution	Number of bonus share for every 10 shares (share)	Dividends paid for every 10 shares (inclusive of tax) (RMB)	Number of shares to be converted into share capital for every 10 shares (share)	Amount of cash dividend (inclusive of tax)	Net profit attributable to ordinary shareholders of the listed company in the consolidated statements of the year with dividend payment	Percentage relative to the net profit attributable to ordinary shareholders of the listed company in the consolidated statements (%)
2020	0	2.20	0	2,230,196,926.54	7,243,654,385.20	30.79
2019	0	1.60	0	1,621,961,401.12	5,228,429,052.09	31.02
2018	0	0.90	0	912,353,288.13	2,887,126,757.58	31.60

SECTION V DIRECTORS' REPORT

Based on the undistributed profits of the Company amounting to RMB17,364,632,501.73 at the end of 2019, plus net profit of RMB6,608,647,061.22 achieved by the Company in 2020 and less cash dividends of RMB1,621,961,401.12 in the 2019 profit distribution plan implemented by the Company in 2020 plus other comprehensive income carried over to retained earnings of RMB809,175.15, the distributable profit of the Company for 2020 amounted to RMB22,352,127,336.98. According to the requirements of the Company Law, the Financial Rules for Financial Enterprises and the Articles of Association, after the net profit is setting aside the statutory reserve, the general risk reserve and the transaction risk reserve at a percentage of 10%, totaling RMB1,982,594,118.36, the profit available for distribution to investors for 2020 amounted to RMB20,369,533,218.62.

Taking into account of the Company's long-term development and the interests of investors, the Company proposes to distribute a cash dividend of RMB2,230,196,926.54 (inclusive of tax) for 2020, representing 30.79% of net profit attributable to owners of the Company in the consolidated statements for the year of 2020. Based on the total share capital of 10,137,258,757 shares at the end of 2020, cash dividend per 10 shares will be RMB2.20 (inclusive of tax and the actual amount to be 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 RMB2,230,196,926.54 (inclusive of tax). After the cash dividend distribution, the undistributed profits of RMB18,139,336,292.08 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 2020 profit distribution plan of the Company was passed at the 66th meeting (regular) of the third session of the Board, subject to the approval at the annual general meeting.

Subject to approval of the resolution relating to the 2020 profit distribution plan at the 2020 annual general meeting, the cash dividends will be distributed within two months from the date of the 2020 annual general meeting (which will be no later than 31 August 2021). 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 for five working days prior to the date of the 2020 annual general meeting of the Company.

The Company will announce in due course the date of the 2020 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 2020 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.

III. BONDS ISSUE

(i) Bonds issue during the Reporting Period

- (1) As of 31 December 2020, the Company's non-publicly issued subordinated bonds amounted to an aggregate principal amount of RMB40.0 billion, and such bonds were listed on the SSE. Details are set out as follows:

Types of Shares and other derivative instruments	Date of issue	Issue price (or interest rate)	Issue amount (RMB100 million)	Listing date	Transaction amount approved to be listed (RMB100 million)	Maturity Date
18 Galaxy C1	18 April 2018	5.20%	8	3 May 2018	8	19 April 2020
18 Galaxy C2	18 April 2018	5.30%	32	3 May 2018	32	19 April 2021
18 Galaxy C3	23 May 2018	5.38%	55	6 June 2018	55	24 May 2020
18 Galaxy C6	24 October 2018	4.48%	50	6 November 2018	50	25 October 2021
18 Galaxy C8	14 December 2018	4.28%	15	28 December 2018	15	17 December 2021
19 Galaxy C2	29 January 2019	4.05%	40	20 February 2019	40	30 January 2022
19 Galaxy C4	26 February 2019	4.20%	34	12 March 2019	34	27 February 2022
19 Galaxy C5	7 March 2019	4.10%	32	26 March 2019	32	11 March 2021
19 Galaxy C6	7 March 2019	4.25%	34	26 March 2019	34	11 March 2022
20 Galaxy C1	14 January 2020	3.65%	10	20 January 2020	10	14 January 2022
20 Galaxy C2	14 January 2020	3.75%	40	20 January 2020	40	14 January 2023
20 Galaxy Y1	24 November 2020	4.80%	50	2 December 2020	50	N/A ^(Note 1)

Note 1: On 24 November 2020, the Company publicly issued the 2020 perpetual subordinated bonds (first tranche) of RMB5 billion, with an interest rate of 4.8%, which will remain unchanged for the first five interest-bearing years of the duration of the bonds. If the Company does not exercise its redemption right, the coupon rate shall be reset every five years commencing from the sixth interest-bearing year.

- (2) As of 31 December 2020, the Company's non-publicly issued corporate bonds amounted to an aggregate principal amount of RMB31.92 billion, and such corporate bonds were listed on the SSE. Details are set out as follows:

Types of Shares and other derivative instruments	Date of issue	Issue price (or interest rate)	Issue amount (RMB100 million)	Listing date	Transaction amount approved to be listed (RMB100 million)	Maturity Date
17 Galaxy F6	27 April 2017	4.99%	47.2	12 May 2017	47.2	28 April 2020
18 Galaxy F1	16 January 2018	5.55%	35	29 January 2018	35	17 January 2020
18 Galaxy F2	16 January 2018	5.65%	15	29 January 2018	15	17 January 2021
18 Galaxy F3	9 February 2018	5.60%	12	5 March 2018	12	12 February 2020
18 Galaxy F4	9 February 2018	5.70%	10	5 March 2018	10	12 February 2021
20 Galaxy F1	17 February 2020	3.15%	32	24 February 2020	32	17 February 2022
20 Galaxy F2	17 February 2020	3.25%	18	24 February 2020	18	17 February 2023
20 Galaxy F3	11 March 2020	2.88%	40	17 March 2020	40	11 March 2022
20 Galaxy F4	11 March 2020	3.03%	10	17 March 2020	10	11 March 2023
20 Galaxy F5	17 July 2020	3.28%	40	23 July 2020	40	17 July 2021
20 Galaxy F6	29 July 2020	3.50%	30	5 August 2020	30	29 July 2022
20 Galaxy F7	29 July 2020	3.72%	30	5 August 2020	30	29 July 2023

SECTION V DIRECTORS' REPORT

- (3) As of 31 December 2020, the Company's publicly issued corporate bonds amounted to an aggregate principal amount of RMB33.60 billion, and such corporate bonds were listed on the SSE. Details are set out as follows:

Types of Shares and other derivative instruments	Date of issue	Issue price (or interest rate)	Issue amount (RMB100 million)	Listing date	Transaction amount approved to be listed (RMB100 million)	
					Maturity Date	
14 Galaxy G2	4 February 2015	4.80%	10	9 March 2015	10	4 February 2020
16 Galaxy G2	1 June 2016	3.35%	6	28 June 2016	6	1 June 2021
14 Galaxy G4	23 August 2016	3.14%	10	13 September 2016	10	23 August 2021
17 Galaxy G1	10 July 2017	4.55%	50	21 July 2017	50	10 July 2020
17 Galaxy G2	18 September 2017	4.69%	40	27 September 2017	40	18 September 2020
18 Galaxy G1	14 March 2018	5.15%	25	29 March 2018	25	14 March 2021
20 Galaxy S1	31 August 2020	3.04%	35	4 September 2020	35	31 August 2021
20 Galaxy S2	23 October 2020	3.17%	20	30 October 2020	20	23 October 2021
20 Galaxy G2	23 October 2020	3.70%	30	30 October 2020	30	23 October 2023
20 Galaxy S3	27 November 2020	3.58%	20	4 December 2020	20	27 November 2021
20 Galaxy G3	27 November 2020	3.80%	40	4 December 2020	40	27 November 2022
20 Galaxy S4	24 December 2020	3.10%	30	31 December 2020	30	23 September 2021
20 Galaxy S5	24 December 2020	3.12%	20	31 December 2020	20	24 December 2021

- (4) As of 31 December 2020, the Company's publicly issued short-term commercial papers amounted to an aggregate principal amount of RMB67.00 billion, and such bonds were listed on interbank market. Details are set out as follows:

Types of Shares and other derivative instruments	Date of issue	Issue price (or interest rate)	Issue amount (RMB100 million)	Listing date	Transaction amount approved to be listed (RMB100 million)	
					Maturity Date	
19 Galaxy Securities CP001	21 October 2019	2.87%	10	22 October 2019	10	17 January 2020
19 Galaxy Securities CP002	21 November 2019	3.09%	40	22 November 2019	40	19 February 2020
19 Galaxy Securities CP003	16 December 2019	3.04%	30	17 December 2019	30	13 March 2020
20 Galaxy Securities CP001	15 January 2020	2.75%	20	16 January 2020	20	15 April 2020
20 Galaxy Securities CP002	24 February 2020	2.50%	30	25 February 2020	30	25 May 2020
20 Galaxy Securities CP003	23 March 2020	1.89%	40	24 March 2020	40	22 June 2020

SECTION V DIRECTORS' REPORT

Types of Shares and other derivative instruments	Date of issue	Issue price (or interest rate)	Issue amount (RMB100 million)	Listing date	Transaction amount approved to be listed (RMB100 million)	Maturity Date
20 Galaxy Securities CP004	21 April 2020	1.40%	40	22 April 2020	40	21 July 2020
20 Galaxy Securities CP005	20 May 2020	1.55%	40	21 May 2020	40	19 August 2020
20 Galaxy Securities CP006	8 June 2020	2.10%	40	9 June 2020	40	04 September 2020
20 Galaxy Securities CP007	22 June 2020	2.20%	40	23 June 2020	40	18 September 2020
20 Galaxy Securities CP008	15 July 2020	2.55%	40	16 July 2020	40	14 October 2020
20 Galaxy Securities CP009	17 August 2020	2.62%	40	18 August 2020	40	13 November 2020
20 Galaxy Securities CP010	28 August 2020	2.65%	40	31 August 2020	40	26 November 2020
20 Galaxy Securities CP011	16 September 2020	2.68%	40	17 September 2020	40	15 December 2020
20 Galaxy Securities CP012	16 October 2020	2.90%	40	19 October 2020	40	14 January 2021
20 Galaxy Securities CP013	28 October 2020	2.98%	40	29 October 2020	40	26 January 2021
20 Galaxy Securities CP014	11 November 2020	3.08%	30	12 November 2020	30	09 February 2021
20 Galaxy Securities CP015	25 November 2020	3.30%	40	26 November 2020	40	24 February 2021
20 Galaxy Securities CP016	11 December 2020	2.95%	30	14 December 2020	30	11 March 2021

SECTION V DIRECTORS' REPORT

(ii) Bond financing activities after the Reporting Period

1. Corporate bonds issued after the Reporting Period

As of the date of this report, the newly issued corporate bonds and subordinated bonds of the Company for the year of 2021 are detailed as follows:

Name	Issue size (RMB100 million)	Use of funds	Value date	Maturity	Period (day(s))	Interest rate
2021 corporate bonds publicly issued for professional investors (Tranche 1) (Type 1)	18.00	Supplement to working capital of the Company or Repayment of debt financing instruments due or sold back	2021/1/21	2023/1/21	730	3.24%
2021 corporate bonds publicly issued for professional investors (Tranche 1) (Type 2)	32.00	Supplement to working capital of the Company or Repayment of debt financing instruments due or sold back	2021/1/21	2024/1/21	1,095	3.58%
2021 corporate bonds publicly issued for professional investors (Tranche 2) (Type 1)	15.00	Supplement to working capital of the Company or Repayment of debt financing instruments due or sold back	2021/2/4	2023/2/4	730	3.50%
2021 corporate bonds publicly issued for professional investors (Tranche 2) (Type 2)	25.00	Supplement to working capital of the Company or Repayment of debt financing instruments due or sold back	2021/2/4	2024/2/4	1,095	3.67%
Public issued 2021 perpetual subordinated bonds (Tranche 1)	50.00	Repayment of debt financing instruments due or sold back or Supplement to liquidity of the Company	2021/3/29	Not applicable	Not applicable <small>(Note 1)</small>	4.57%

Note 1: On 29 March 2021, the Company publicly issued 2021 perpetual subordinated bonds (Tranche 1) of RMB5 billion, with an interest rate of 4.57%, which will remain unchanged for the first five interest-bearing years of the duration of the bonds. If the Company does not exercise its redemption right, the coupon rate shall be reset every five years commencing from the sixth interest-bearing year.

2. Short-term commercial papers issued after the Reporting Period

As of the date of the report, the newly issued short-term commercial papers of the Company for the year of 2021 are detailed as follows:

Name	Issue size (RMB100 million)	Use of funds	Value date	Maturity	Period (day(s))	Interest rate
2021 first tranche of short-term commercial paper	40.00	meet liquidity needs, replenish of working capital of the Company	2021/1/12	2021/4/13	91	2.45%
2021 second tranche of short-term commercial paper	30.00	meet liquidity needs, replenish of working capital of the Company	2021/1/29	2021/4/29	90	2.95%
2021 third tranche of short-term commercial paper	40.00	meet liquidity needs, replenish of working capital of the Company	2021/3/9	2021/6/8	91	2.63%

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

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

V. LIST OF DIRECTORS

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. The term of each Director is until 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 Directors under the PRC laws and regulations, as well as the Articles of Association.

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

During the Reporting Period and as at the End of the Reporting Period, none of the Directors of the Company, Supervisors (and their connected entities) had 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 of the Company 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 AND 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 had 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 the SFO) (i) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) which are required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or (iii) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SECTION V DIRECTORS' REPORT

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

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

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 (i.e. 29 March 2021) 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

On 27 March 2020, the 57th meeting of the third session of the Board of the Company was held, at which the "Proposal in relation to the Amendments to the Major Accounting Policies and Accounting Estimates" was considered and approved. Based on the actual operating conditions of the Company, the recognition standard of fixed assets and intangible assets of the Company was increased from RMB2,000 to RMB5,000 per unit with effect from 27 March 2020. According to the accounting standards, changes in the recognition criteria for fixed assets and intangible assets are changes in accounting estimates, and the subsequent processing are performed using the prospective application method. The changes will not have a significant impact on the financial position, operating results and cash flow.

(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.

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.

SECTION V DIRECTORS' REPORT

Holdings 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, and 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; and (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 institutional and individual 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 2020, the revenue derived from the top five clients of the Company accounted for 3.41% of its revenue.

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

(vii) Property and equipment

For information concerning property and equipment of the Group as at the End of the Reporting Period, please refer to the Financial Statements of this report and their accompanying notes.

(viii) Active performance of social responsibilities

During the Reporting Period, the Company adhered to the business idea of complying with laws and regulations, effectively boosted the construction of enterprise culture, and actively shouldered its responsibilities towards the state, employees, clients and other stakeholders, while conscientiously safeguarding the rights and interests of shareholders so as to promote the coordinated and sustainable development of the Company and the society. The Company attaches great importance to poverty alleviation. In 2020, the Company invested approximately RMB51.30 million in its poverty alleviation fund to help the poor households based on the advantages of local resources and actual needs of the place by taking into consideration the characteristics and strengths of financial enterprises, and continuously reinforced the leadership and protection of the local organizations, increasingly contributing to poverty alleviation.

1. *The Company actively promotes environmental protection concept and cultivates ecological civilization*

The Company actively responds to the call on green development, low carbon and energy saving. The Company strictly abides by the Environmental Protection Law, the Energy Conservation Law and other laws and regulations of the country. 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. The Company focuses on the development of green finance, It optimizing 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 in connection with environmental problems in 2020.

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. In terms of standardizing green operation, the Company encourages clients to conduct off-site accounts opening and trading, upgrades the corporate portals, optimizes the back-office system and simplifies processes to reduce the printing volume. The Company has more refined and personalized management of office supplies procurement and encourages employees to reuse paper and stationery, continue to strengthen the management and use of old electronic equipment. It continues to use environmentally-friendly sanitary ware to save fresh water, so as to improve the efficiency of water use and minimize water consumption. It also advocates energy conservation and deploys specific persons for checking whether the office equipment power is used and switched off properly.

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 boosts scientific management of human resources*

- (1) In terms of employment, the Company adheres to the principles of open recruitment, fair competition, comprehensive appraisal and recruitment of outstanding candidates. The Company will sign Employment Contract with the staff employed strictly in compliance with the Labor Contract Law sets clear responsibilities and obligations between the Company and its staff and completely eradicates child Labor and forced labor. Pursuant to the principles of “appropriate personnels, appropriate positions and reasonable allocation”, the Company accepted 2 demobilized army cadres, recruited 87 fresh graduates and attracted 353 outstanding talents necessary for business development through social recruitment in 2020. In order to actively respond to the call to resolutely win the battle against poverty and help impoverished counties to get rid of poverty, the Company recruited 3 employees from poverty-stricken households in Jingning County while continuing to select temporary poverty alleviation cadres from the designated poverty alleviation county in Jingning County, Gansu Province, in 2020.
- (2) The Company sticks to putting people first, cares about the health and safety of its staff, optimizes the staff training system and safeguards their legitimate interests, creating room for individual growth of its staff. The Company's labor union focuses on the macro development of the Company and considers the demands of employees as the ultimate work objective. It cares about the difficulties of employees in their living and pays attention to the exchange of ideas and communications with them. The Company establishes an employee representative meeting and employees actively participate in the Company's management through the employee representative meeting to conduct, safeguard their own legitimate rights and promote the improvement of the democratic management system of the Company. The Company also cares about the safety and mental health of employees in working and guarantees that employees can enjoy their work both physically and mentally.
- (3) The Company strictly abides by national laws and regulations on personnel and strives to improve relevant systems on human resources. In 2020, the Company combined to the Measures for Implementation of Remuneration Allocation and Measures for Management of Company Employee Benefits to provide more protection of, the employees' legitimate rights and interest and safeguard their development.

3. *The Company strives to improve customer services*

In 2020, the Company continued to establish the “customer-centered” wealth management business system and the “enterprise-centered” investment and financing business system. With the spirit of “clients always come first” and providing high-quality products, the Company intensified financial services by refining product categories, enhancing customer experience and responding to customer feedback.

- (1) The Company upgraded the retail customer comprehensive service platform, enriched the retail customer labeling system and formed a label matrix of 5 major categories and 15 small categories. A total of 317 customer labels were realized, which gradually realized accurate customer portraits. The Company can effectively enhance accurate, proactive and immediate services based on customer profiling.

- (2) The Company sets up a leading group and working group for handling customer complaints to coordinate and manage complaints from brokers business clients. The Company also actively assumes the primary responsibility of mediating and dealing with conflicts and disputes for clients to properly deal with the special compensation work for clients. In 2020, the Company properly handled various major, complicated and special complaints and no customer complaints were escalated due to improper handling. In addition, the satisfaction feedback of new clients exceeded 99.31% in 2020.
- (3) The Company provides customers with various trading tools. Customers can complete a transaction through Internet, mobile terminals (including mobile phones, tablets, 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.
- (4) The Company actively responds to the state's social responsibility requirements for financial institutions, which promotes the Company for transformation and development so as to effectively playing its role as a modern investment bank. Taking "serving the real economy" as its starting point and ultimate goal, the Company continuously improves its ability and level of serving the real economy and extends its comprehensive financial services capabilities at home and abroad.

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

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

- (1) Enhancing communications between the Company and investors. In 2020, the Company further refined and improved the management on investor relations and strived to improve the smooth information communication channels between the Company and investors through one-to-one onsite communication, telephone, email, Internet Q&A and other forms, so as to transmit the voice of the Company to the market and investors in a right way and open channels for investors to know more about the Company.
- (2) Compliance procurement. In accordance with the requirements of the Interim Provisions on the Centralized Procurement Management of State-owned Financial Enterprises, the Company further improved the Company Procurement Management System in 2020 so that its procurement management process runs more smoothly. In addition, the Company has achieved a good balance between quality and efficiency, which is conducive to preventing procurement risks.

SECTION V DIRECTORS' REPORT

- (3) For the safety and stability of trading market, the Company adopts various measures to ensure safe system operations and provide safe trading channel service. Currently, the Company has implemented a safe and efficient technical structure with “three centres in two regions” to ensure the safety of trading channels and environments. It has safeguarded the information system at different levels, classes and priorities by adopting variety of security protection technical measures such as network isolation, firewall, anti-virus, intrusion detection system, database audit system and sensitive data desensitization, and regularly conducts security risk assessment and penetration testing to strengthen the security protection against computer viruses and network attacks. The Company also strengthened operation and maintenance monitoring and daily security inspection, established and improved emergency system for information security events and fully implemented information security responsibility system.
- (4) The Company actively carries out its social responsibilities of respecting and protecting rights and interests of investors and regards investor protection as an important task for promoting the healthy development of the market. In 2020, the Company pragmatically promoted 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.
- (5) Legal compliance operation. Pursuant to the principles of “full coverage, unified management and classified policies”, the Company clarifies the overall framework and specific arrangement of its compliance management. The Company also continues to improve a multi-layered compliance management system with the Board of Directors and its Compliance and Risk Management Committee, the Supervisory Committee, senior management, compliance officer, the Legal Compliance Department, responsible persons and compliance management of subordinated units (referring to all departments, branches and subsidiaries) and all working staff. The Company establishes a compliance monitoring system to perform the functions of monitoring and reporting the abnormal transaction behaviors of customers, so as to prevent fraudulent transactions. In 2020, the Company had no lawsuit on insider trading nor market manipulation nor related money-laundering transactions escalating to the level of legal action.
- (6) Overall risk management. The Company adheres to the idea that risk management creates value. The Company actively creates a risk control culture with the principles of “never touching the red line, never stepping on the gray zone, never playing edge ball” as foundation, the proficiency in business as the premises, the professional code of conduct as the basis, the regulatory requirements as the standard, and the sense of development as the purpose, so as to uphold the concept of “compliance operation and steady development”. It adopts a prudent risk profile and firmly strives for no occurrence of systematic risks, and gradually promotes the overall risk management from the aspects of full coverage, monitorability, measurability, analysis and risk-response ability to continuously improve the risk management standard. The Company has taken effective measures and actively responded to the risks, and has made them measurable, controllable and tolerable as a whole.

- (7) Anti-corruption. The Company upholds and gives emphasis on the education theme of “not forgetting the original intention, keeping in mind the mission” and conducts precise supervision over its business development in a high-quality way. It further optimizes the supervisory system, makes good use of the manpower and promotes information sharing between different departments so as to form a cooperative supervising force. The Company sets itself against corruption and bribery. It improves anti-corruption, and anti-bribery work through early prevention, process monitoring and post review and rectification. There was no lawsuit against fraud and bribery laws in 2020.

5. Scientific deployment by the Company to build a strong defence against the COVID-19

- (1) In the face of the sudden outbreak of the Novel Coronavirus (COVID-19) in 2020, the Company set up a special leading group for the prevention and control of the epidemic, in accordance with the general requirements of “having strong confidence, working together diligently, adopting preventive and control measures in a scientific approach and executing policies with precision”, to ensure that all the deployments of the CPC Central Committee, the State Council and China Investment Corporation Limited were put in place and implemented to the end, and to gather strong positive energy from the public to overcome the difficulties together. The Company has always put the safety and health of its employees in the first place, adjusted its preventive and control measures in a timely manner according to the phased results of the COVID-19 prevention and control, made arrangements for resumption of work and production, and worked together to maintain the stable and orderly operation of the capital market.
- (2) Since the outbreak of COVID-19, the Company has adopted the “principle of minimizing on-site business”, reducing on-site business and on-site transactions on the premise of ensuring that health and services are in place, and has effectively prevented and controlled the spread of the epidemic in its business outlets by strengthening publicity on COVID-19 prevention and control, enhancing personnel access management, strengthening the prevention and disinfection of business premises, making on-site business appointments and evacuating on-site customers in a timely manner. In 2020, no COVID-19 transmission was reported in any business premises of the Company. At the same time, the Company took multiple measures to maintain transaction security and improve customer service. Customers can access financial product purchases, investment advisory and wealth management online through the rich and convenient online business service content.
- (3) The Company has actively fulfilled its social responsibility and donated RMB11.2 million to Hubei Province with Galaxy Futures and Galaxy Derivatives Financial Service Co., Ltd. to support the prevention and control of COVID-19 in Hubei Province. Galaxy Jinhui donated protective masks and other materials at the value of RMB106,000 to Inner Mongolia. The Company’s staff actively contributed in various ways and donated a total sum of nearly RMB800,000 for relief work, demonstrating the strong determination to help each other and overcome the difficulties together, and fulfilling the mission of a large state-owned financial institution.

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

29 March 2021

SECTION VI OTHER SIGNIFICANT EVENTS

I. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Company had no material litigation or arbitration involving an amount of over RMB10 million and representing over 10% of the absolute value of the latest audited net assets of the Company.

From the beginning of the Reporting Period to the date of disclosure of this report, details of the Company's new litigations or arbitrations or those having new progress are as follows:

(1) Arbitration filed by Taiping Fund Management Co., Ltd. (太平基金管理有限公司)

On 19 January 2018, Taiping Fund Management Co., Ltd. (太平基金管理有限公司) filed an arbitration with Shanghai International Economic and Trade Arbitration Commission 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 interest on a daily basis from the maturity and settlement date of the four repurchase transactions. The counterparty conducting the bond pledge agreed repurchase transactions with Taiping Fund Management Co., Ltd. is a targeted asset management product of Galaxy Jinhui, being "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)". The product is a brokerage client of the Company and the Company provides it with trading orders application services. Taiping Fund Management Co., Ltd. filed the arbitration as it failed to reach an agreement with the principal of the product on the settlement plan on the breach of contract. Currently, the arbitration is still ongoing.

(2) Arbitration filed by AXA SPDB Investment Managers Co., Ltd. (浦銀安盛基金管理有限公司)

On 16 May 2018, AXA SPDB Investment Managers Co., Ltd. (浦銀安盛基金管理有限公司) filed an arbitration with Shanghai International Economic and Trade Arbitration Commission and identified the Company as the counterparty. It requested the Company to repay the facility amount with a total of RMB42,750,000 under the bond pledge agreed repurchase transactions and the financing interest with a total of RMB85,265.75 and calculated the compensatory and penalty interest on a daily basis from the maturity and settlement date of the repurchase transactions. The counterparty conducting the bond pledge agreed repurchase transactions with AXA SPDB Investment Managers Co., Ltd. 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. The product is a brokerage client of the Company and the Company provides it with trading orders application services. Currently, the arbitration is still ongoing.

(3) Dispute in relation to Stock Pledge Repurchase Transactions between the Company and Changchun Xiangsheng Investment Management Co., Ltd. (長春市祥升投資管理有限公司)

In August 2017, the Company entered into an agreement with Changchun Xiangsheng Investment Management Co., Ltd. (長春市祥升投資管理有限公司, hereinafter "Xiangsheng Investment"), pursuant to which the Company, as the fund provider, and Xiangsheng Investment, as the fund receiver, conducted the stock pledge repurchase transactions, and the target stock was Changsheng Bio-Technology (長生生物, stock code: 002680). Xiangsheng Investment issued a "Letter of Undertaking" to the Company, in which Xiangsheng Investment has undertaken that if it breaches the relevant requirements, the Company shall have the right to request Xiangsheng Investment to repurchase all the pledged stocks in advance or to assume the liability for breach according to the requirements of the agreement. As Xiangsheng Investment failed to fulfill its obligations as agreed, the Company initiated the arbitration against Xiangsheng Investment.

SECTION VI OTHER SIGNIFICANT EVENTS

On 24 June 2019, the Beijing Arbitration Commission issued an arbitration award in this regard, requiring Xiangsheng Investment to pay to the Company the repurchase transaction amount of RMB45,605,484.34, together with interest, liquidated damages and other expenses, and confirming the Company's right to be paid in priority out of the proceeds from auction or sale, at a discount, of the 9,748,658 outstanding shares of ST Changsheng Bio-Technology pledged to the Company by Xiangsheng Investment.

On 2 April 2019, the Company separately filed a lawsuit with Beijing Second Intermediate People's Court against Zhang Wen, the guarantor of Xiangsheng Investment, and Changchun Baisheng Tianqi Trading Co., Ltd. On 27 August 2019, Beijing Second Intermediate People's Court ruled that Zhang Wen and Changchun Baisheng Tianqi Trading Co., Ltd. were jointly and severally liable to the Company for the amount of the repurchase transaction and interest owed by Xiangsheng Investment to the Company. The Company has submitted an enforcement application to Beijing Second Intermediate People's Court on 6 November 2019.

(4) The securities margin trading dispute case between the Company and Ge Hongtao

Ge Hongtao conducted securities margin trading through the relevant services provided by the Company. Since Ge Hongtao's credit account maintenance guarantee ratio was less than 130%, and the collateral was not added in full within the agreed time limit, the Company imposed a forced liquidation measure on Ge Hongtao's credit account in accordance with the relevant requirements of the "Securities Margin Trading Contract" signed by both parties. For the financing liabilities that were not repaid after the liquidation, the Company filed a lawsuit with the court, requesting the court to order Ge Hongtao to repay the financing principal, and to pay the interest and penalty interest and other expense, and to bear the case acceptance fee of RMB51,210,928.05 in total.

On 17 March 2020, the Company received the "Civil Judgment" made by Beijing Xicheng District People's Court. Ge Hongtao was ruled to pay the financing principal, interest, penalty interest and other expenses. As Ge Hongtao failed to perform its repayment obligation within the period specified in the "Civil Judgment", the Company applied to the Beijing Xicheng District People's Court for the enforcement of the "Civil Judgment". In December 2020, the Company received the "Rulings for Enforcement" made by Beijing Xicheng District People's Court, which ordered the termination of the enforcement process.

(5) The securities margin trading dispute case between the Company and Xu Guodong

Xu Guodong conducted securities margin trading through the relevant services provided by the Company. Since Xu Guodong's credit account maintenance guarantee ratio was less than 130%, and the collateral was not added in full within the agreed time limit, the Company imposed a forced liquidation measure on Xu Guodong's credit account in accordance with the relevant requirements of the "Securities Margin Trading Contract" signed by both parties. For the financing liabilities that were not repaid after the liquidation, the Company filed a lawsuit with the court, requesting the court to order Xu Guodong to repay the financing principal, and to pay the financing interest and penalty interest (amounting to RMB65,458,830.17 in total), and to bear the case acceptance fee.

The Company received a civil judgment from Beijing Second Intermediate People's Court, which ruled that Xu Guodong should pay the principal amount of the financing, interest, penalty interest and other costs. As Xu Guodong failed to fulfill his repayment obligations within the time limit specified in the civil judgment, the Company applied to Beijing Second Intermediate People's Court for compulsory enforcement. Beijing Second Intermediate People's Court ruled that the enforcement proceedings were terminated as Xu Guodong, the subject of the enforcement, had no other assets (other than the assets in the securities account and deposits in the bank account being preserved) available for enforcement at present.

SECTION VI OTHER SIGNIFICANT EVENTS

(6) The securities margin trading dispute case between the Company and Sun Taoyong

Sun Taoyong conducted securities margin trading through the relevant services provided by the Company. Shanghai Meng Ju Investment Management Center (LLP) (上海盟聚投資管理中心(有限合夥)) and Shanghai Meng Shang Investment Management Center (LLP) (上海盟商投資管理中心(有限合夥)) voluntarily provided an unlimited joint and several liability guarantee to the Company for all debts of Sun Taoyong under the “Securities Margin Trading Contract”. Since Sun Taoyong’s credit account maintenance guarantee ratio was less than 150%, and the collateral was not added in full within the agreed time limit, the Company imposed a forced liquidation measure on Sun Taoyong’s credit accounts in accordance with the relevant requirements of the “Securities Margin Trading Contract” and its supplemental agreement signed by both parties. For the financing liabilities that were not repaid after the liquidation, the Company filed a lawsuit with the court, requesting the court to order Sun Taoyong to repay the financing principal and to pay the financing interest and penalty interest and to bear the legal costs of the Company, to order Shanghai Meng Ju Investment Management Center (LLP) and Shanghai Meng Shang Investment Management Center (LLP) to assume the joint and several liabilities for all the debts of Sun Taoyong, which amounted to RMB64,567,571.53 in total, and to order the three defendants to jointly bear the litigation costs, the property preservation fee and the property preservation insurance premium of this case.

On 25 September 2019, Sun Taoyong initiated a litigation with Beijing Xicheng District People’s Court against Beijing Galaxy World Group Co., Ltd. (北京星河世界集團有限公司), the Company and the Shanghai Pilot Free Trade Zone Jilong Road Securities Branch of the Company, requesting to revoke the “Securities Margin Trading Contract” and its supplementary agreement signed by both parties for the reason that Beijing Galaxy World Group Co., Ltd. and the Shanghai Pilot Free Trade Zone Jilong Road Securities Branch of the Company conspired to defraud. On 6 January 2020, Beijing Xicheng District People’s Court ruled that the case shall be transferred to Beijing Second Intermediate People’s Court for trial.

In July 2020, the parties voluntarily reached settlement and entered into a settlement agreement which was confirmed by the Court. Meanwhile, Sun Taoyong withdrew his lawsuit against the Company. The defendants shall repay the financing principal, interest and penalty interest totaling approximately RMB66,409,800 in installments to the Company in accordance with the settlement agreement. As of 30 November 2020, the aforementioned financing principal, interest and penalty interest in arrears have all been paid off, and the settlement agreement signed by the parties has been fulfilled.

SECTION VI OTHER SIGNIFICANT EVENTS

(7) The case of application for enforcement by the Company against Zhou Weihong, Wang Huifen, Jiangsu Guocheng Equipment Technology Research Institute Co., Ltd. (江蘇國澄裝備技術研究院有限公司), Zhou Chen, Zhou Yanping and Zhou Zheng

Zhou Weihong carried out a stock pledge repurchase transaction with the Company. Wang Huifen, the spouse of Zhou Weihong, acted as the joint debtor. Jiangsu Guocheng Equipment Technology Research Institute Co., Ltd., Zhou Chen, Zhou Yanping and Zhou Zheng entered into a Guarantee Letter as guarantors. The relevant notarial certificate and enforcement certificate were issued by Beijing Jingcheng Notary Public Office. As the aforesaid persons subject to enforcement failed to perform the obligation of repayment as evidenced by the notarial debt documents, the Company submitted an application to Shaoxing Intermediate People's Court to enforce the notarial debt documents, requesting: (i) to enforce the persons subject to enforcement to pay the principal amount of RMB66,908,800 and interest, liquidated damages and other expenses, and confirmed that the Company shall be entitled to the right of preferential repayment out of the proceeds from auction or sale of 37,169,200 restricted shares in Zhejiang Jindun Fans Holding Co., Ltd. pledged by Zhou Weihong. As the shares of Jindun held by Zhou Weihong, the aforesaid persons, were subject to trading restrictions and their disposal was difficult, the Company applied for the termination of the enforcement process at the end of 2019.

(8) Enforcement of notarized debt instrument in relation to Yang Zhenhua's stock pledge project and application for arbitration

Yang Zhenhua entered into an agreement with the Company for him to carry out a stock pledge repurchase transaction with the Company. The Company, Yang Zhenhua and his spouse, Luo Jun, applied to a notary office for the issue of notarial debt documents for some of the transactions.

As Yang Zhenhua and Luo Jun, being the obligors under the notarial debt documents, failed to perform the obligation of repayment, the Company submitted an application to Beijing First Intermediate People's Court in 2019 to enforce the notarial debt documents, requesting Yang Zhenhua and Luo Jun to repay the principal amount of RMB141,010,273.50 together with interest, liquidated damages and other expenses. The Company has received RMB19.82 million. The remaining funds are still in the process of enforcement.

For certain transactions that had not been notarized, Yang Zhenhua failed to make repayment under the relevant stock pledge agreement, and the Company applied to the Beijing Arbitration Commission for arbitration in 2019, claiming repayment of the principal amount of financing of RMB141,518,600.00 together with interest, liquidated damages and other expenses, and confirmation of the Company's right of priority to be repaid out of the proceeds from auction or sale of the pledged shares. The Company has received an award from the Beijing Arbitration Commission awarding Yang Zhenhua to repay the principal amount of the financing together with the corresponding interest, liquidated damages and other expenses to the Company.

The above cases are still in the process of enforcement.

SECTION VI OTHER SIGNIFICANT EVENTS

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

During the Reporting Period, the related party transactions under the relevant accounting standards are detailed in Note 53 to the Consolidated Financial statements "Related Party Transactions" in Section XI. Among these related party transactions, the transactions between the Company and Galaxy Financial Holdings and its subsidiaries (Note 53(a)(1)) constitute continuing connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange (see below for details).

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". 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 Group 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, whereby the term of the Framework Agreement was extended to 31 December 2018. On 21 December 2018, the Company and Galaxy Financial Holdings entered into the "Second Supplemental Agreement to the Securities and Financial Services Framework Agreement", whereby the term of the Framework Agreement was further extended to 31 December 2021. 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 2021, 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 and supplement agreement will be RMB267 million, RMB320 million and RMB416 million, respectively, and the annual caps of the interest payable by the Group to Galaxy Financial Holdings Group for the entrusted funds will be RMB10 million, RMB15 million and RMB20 million, respectively. As the annual caps in respect of the applicable percentage ratios under the Stock Exchange Listing Rules 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 requirement 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 thousand

	Annual cap for 2020	Actual transaction amount for 2020
Revenue		
Securities brokerage services		9,478
Sales agency services		25,684
Leasing of exchange trading units		25,728
Other related securities and financial services		2,024
Total	320,000	62,914
Expenses		
Interest expenses		1,058
Total	15,000	1,058

Notes:

- Income from securities brokerage services is the income received from Galaxy Financial Holdings and Galaxy Capital Assets Management Co., Ltd. for securities brokerage business;
- Income from sales agency services is the income received from Galaxy Fund Management and Galaxy Capital Assets Management Co., Ltd. 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, performance compensation received, etc. from Galaxy Capital Assets Management Co., Ltd.; and
- Interest expense is the interest expense for deposits payable to Galaxy Financial Holdings, Galaxy Fund Management and Galaxy Capital Assets Management Co., Ltd..

SECTION VI OTHER SIGNIFICANT EVENTS

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; and
- (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 2020 disclosed in the relevant announcements made by the Company in respect of the disclosed continuing connected transactions.

SECTION VI OTHER SIGNIFICANT EVENTS

(ii) **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 conduct securities and financial products transactions business with Galaxy Financial Holdings Group in the ordinary course of business 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. Securities and financial products transactions (whether in the China interbank bond market, the China exchange market or the open fund market) shall be conducted 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 (i.e. Huijin and the Ministry of Finance), with effective from 12 July 2017 and shall expire on 31 December 2019. The above transactions constitute continuing connected transactions of the Company under the Stock Exchange Listing Rules.

The resolution regarding the renewal of the aforementioned continuing connected transactions was considered and approved on a Board meeting held by the Company on 12 November 2019, and an announcement was published on that same day. However, given that Galaxy Financial Holdings still needs some time to obtain the approval of its board of directors and general meeting, the Company has not yet entered into a supplementary agreement with Galaxy Financial Holdings in relation to the renewal framework agreement, nor has it convened a general meeting to seek approval from the independent shareholders of the Company. Prior to the approval by the independent shareholders of the Company regarding the renewal of the continuing connected transactions and the execution of the supplementary agreement between the Company and Galaxy Financial Holdings, any new securities and financial products transactions of the Group with Galaxy Financial Holdings will be subject to the relevant provisions of the Stock Exchange Listing Rules and the SSE Listing Rules.

During the Reporting Period, the total amount of funds outflowed from the Group to Galaxy Financial Holdings was RMB10.64 million, mainly due to the redemption by Galaxy Insurance Brokers (Beijing) Co., Ltd. (a subsidiary of Galaxy Financial Holdings) of wealth management products issued by the Group that Galaxy Insurance purchased during the term of the framework agreement. The applicable percentage ratios for such redemption (calculated in accordance with the Stock Exchange Listing Rules) are all less than 0.1%. During the Reporting Period, the Group did not enter into any new securities and financial product transactions with Galaxy Financial Holdings Group.

SECTION VI OTHER SIGNIFICANT EVENTS

(iii) Leasing of properties between the Group and Galaxy Investment

During the Reporting Period, the Group entered into the following lease contracts with Galaxy Investment:

- (i) On 1 September 2020, the Company entered into Lease Contract I with Galaxy Investment, pursuant to which the Company (as the lessee) will continue to lease the office premises (total construction area of 25,460.86 square meters) and 77 parking spaces located in the Corporate Square, Beijing from Galaxy Investment (as the lessor), with a lease term from 1 January 2020 to 28 February 2021 and rent totaling RMB179,891,780.75.
- (ii) On 28 August 2020, Galaxy Jinhui, a wholly-owned subsidiary of the Company, entered into Lease Contract II with Galaxy Investment, pursuant to which Galaxy Jinhui (as the lessee) will continue to lease the office premises (total construction area of 1,585.59 square meters) located in the Corporate Square, Beijing from Galaxy Investment (as the lessor), of which the lease term of certain units was from 1 January 2020 to 28 February 2021 and the lease term of remaining units was from 26 April 2020 to 28 February 2021, with a total rent of RMB10,180,879.34.
- (iii) On 11 September 2020, Galaxy Capital, a wholly-owned subsidiary of the Company, entered into Lease Contract III with Galaxy Investment, pursuant to which Galaxy Capital (as the lessee) will continue to lease the office premises (total construction area of 323.64 square meters) located in the Corporate Square, Beijing from Galaxy Investment (as the lessor), with a lease term from 1 January 2020 to 28 February 2021 and rent totaling RMB2,269,525.50.

Galaxy Investment is a wholly-owned subsidiary of Galaxy Financial Holdings, and therefore a connected person of the Company. Accordingly, the transactions under the lease contracts constitute connected transactions of the Company under the Stock Exchange Listing Rules. In accordance with IFRS 16 "Leases", the total value of the right-of-use assets to be recognized by the Group in respect of the lease of properties under the lease contracts is approximately RMB178,332,070. As the highest applicable percentage ratio in respect of the total value of the right-of-use assets to be recognized by the Group under the lease contracts is more than 0.1% but less than 5%, the transactions under the lease contracts are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

With regard to the aforementioned connected transactions, the Company confirmed that it has complied with the requirements of Chapter 14A of the Stock Exchange Listing Rules. For the continuing connected transactions above, the Company followed the pricing policies and guidelines established when the transactions were concluded during the Reporting Period.

SECTION VI OTHER SIGNIFICANT EVENTS

V. CONTRACTS OF SIGNIFICANCE AND THEIR PERFORMANCE

(i) Rental Issue

Lessor	Lessee	Information on rental asset	Amount involved of rental asset	Starting date of rental	Ending date of rental	Rental income	Recognition basis of rental income	Impact of rental income on the Company	Connected transaction	Related party relationship
TravelSky Technology Limited	The Group	Plant and office area lease	117,365,396.25	1 April 2019	31 March 2029	Not applicable	Property lease contract	Not applicable	No	Other
Galaxy Investment	The Group	Property	192,342,185.59	1 January 2020	28 February 2021	Not applicable	Property lease contract	Not applicable	Yes	Sister company of the Group
China United Network Communications Group Co., Ltd.	The Group	Property	58,279,258.66	1 November 2015	28 February 2021	Not applicable	Property lease contract	Not applicable	No	Other
China Life Real Estate Co., Limited	The Group	Property	51,676,258.71	6 September 2017	5 September 2022	Not applicable	Property lease contract	Not applicable	No	Other
Shanghai Jingang North Bund Real Estate Company Limited	The Group	Property	40,276,893.12	1 June 2019	30 September 2023	Not applicable	Property lease contract	Not applicable	No	Other
Wing On Company Limited (永安有限公司)	The Group	Property	67,709,933.57	1 August 2017	31 July 2023	Not applicable	Property lease contract	Not applicable	No	Other
Wing On Company Limited (永安有限公司)	The Group	Property	46,470,056.82	1 March 2020	31 July 2023	Not applicable	Property lease contract	Not applicable	No	Other
S.L. Development Pte. Ltd	The Group	Property	78,644,083.24	1 January 2017	31 December 2021	Not applicable	Property lease contract	Not applicable	No	Other
Beijing West Mine Construction Co., Ltd.	The Group	Property	592,356,918.31	1 January 2021	31 December 2025	Not applicable	Property lease contract	Not applicable	No	Other
Financial Holdings Company Limited	The Group	Property	20,118,271.47	16 January 2021	15 January 2026	Not applicable	Property lease contract	Not applicable	No	Other

Lease description

During the Reporting Period, the Group and China Galaxy Investment entered into a property lease contract, under which the rent for 2020 was RMB166.1156 million. The Group and TravelSky Technology Limited entered into a cooperation agreement (lease of server room), under which rent for 2020 was RMB41.1690 million. The Group and China United Network Communications Group Co., Ltd. entered into a property lease contract (termination date of the lease extended from 31 October 2020 to 28 February 2021), under which the rent for 2020 was RMB11.5276 million. The Group and China Life Real Estate Investment Management Co., Ltd. entered into a property lease contract, under which the rent for 2020 was RMB10.88 million. The Group and Shanghai Jingang North Bund Real Estate Company Limited entered into a property lease contract, under which the rent for 2020 was RMB8.03 million. The Group and Wing On Company Limited entered into a property lease contract, under which the rent for 2020 was HK\$22,319,300 (equivalent to RMB18,783,900). The Group and S.L. Development Pte. Ltd entered into a property lease contract, under which the rent for 2020 was SGD3,122,900 (equivalent to RMB15,400,900). The above-mentioned contract amounts shall be paid on a quarterly or monthly basis. The Group entered into a 5-year property lease agreement with Beijing West Mine Construction Co., Ltd. and Financial Street Holdings Co., Ltd. with the lease term commencing from 1 January 2021. Save as disclosed in the table and notes above, the Company was not engaged in any material lease (with an amount of over RMB10 million) during the Reporting Period, and no such matters were carried forward to the Reporting Period from the previous period.

SECTION VI OTHER SIGNIFICANT EVENTS

(ii) Guarantees

Unit: Yuan Currency: RMB

External guarantee granted by the Company (excluding the guarantee in favor of subsidiaries)													
Guarantor	Relationship between guarantor and listed company	Guaranteed party	Guaranteed amount	Date of guarantee (Date of Agreement)	Commence-ment date of guarantee	Expiry date of guarantee	Type of guarantee	Is the guarantee fully fulfilled	Is the guarantee overdue	Amount overdue	Any counter guarantee	Is the guarantee provided to related parties	Related party relationship
Total guarantee incurred during the Reporting Period (excluding the guarantee in favor of subsidiaries)													-
Total guarantee balance as at the End of the Reporting Period (A) (excluding the guarantee in favor of subsidiaries)													
Guarantee of the Company and its subsidiaries in favor of their subsidiaries													
Total guarantee in favor of its subsidiaries incurred during the Reporting Period													45,899,600.00
Total guarantee balance in favor of its subsidiaries as at the End of the Reporting Period (B)													3,707,000,000.00
Total guarantee of the Company (including the guarantee in favor of its subsidiaries)													
Total guarantee (A+B)													3,707,000,000.00
Total guarantee as a percentage of the Company's net assets (%)													4.52
Including:													
Guaranteed amount provided to shareholders, actual controller and their related parties (C)													-
Debt guaranteed amount provided directly or indirectly to the guaranteed party with gearing ratio over 70% (D)													-
Total guaranteed amount over 50% of the net asset (E)													-
Total of the above three guarantees (C+D+E)													-
Statement on the possible joint and several liability in connection with unexpired guarantees													-
Description of guarantee													
(1) In August 2016 and August 2017, the Company provided a net capital guarantee of RMB1 billion and RMB2 billion to Galaxy Jinhui, a subsidiary of the Company, to meet the needs of its business development.													
(2) As at the End of the Reporting Period, the maximum of the loan guarantees provided by Galaxy International Holdings for CGS-CIMB up to a maximum of RMB3.5 billion, and the number of guarantees provided was RMB707 million, the amount of outstanding guarantees authorized by Galaxy International Holdings was RMB2.793 billion.													

In addition, the Company has authorized guarantees as follows:

- On 22 June 2017, the "Proposal for the Increase of Net Capital Guarantee to Galaxy Jinhui" was considered and passed at the 2016 annual general meeting, pursuant to which it was agreed that the Company would provide net capital guarantee to Galaxy Jinhui of RMB3 billion to satisfy its business development requirements. As at the End of the Reporting Period, the guarantee had not been fulfilled.
- On 26 February 2019, the "Proposal for Reviewing the Authorization of Galaxy International Holdings for the Provision of Bank Loan Guarantee to CGS-CIMB Securities" was considered and approved at the 48th meeting (extraordinary) of the third session of the Board of the Company, pursuant to which it was agreed that Galaxy International Holdings would provide a loan guarantee of not more than RMB3.5 billion to CGS-CIMB securities in the next three years according to business development needs. As at the End of the Reporting Period, the amount of authorized outstanding guarantees provided by Galaxy International Holdings was RMB707 million, the amount of outstanding guarantees authorized was RMB2.793 billion.

(iii) Other material contracts

As at the End of the Reporting Period, the Company entered into 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) in December 2017 and such contract is still being performed. Save for the above, the Company was not engaged in any material purchases during the Reporting Period and no such matters were carried forward to the Reporting Period from the previous period.

VI. OTHER MATERIAL ISSUES

1. Changes in the qualifications of individual businesses during the Reporting Period

- (1) CSRC approved the Company to conduct pilot fund investment advisory business (the “Reply on Matters Regarding Conducting Pilot Fund Investment Advisory Business by China Galaxy Securities Co., Ltd.” (Ji Gou Bu Han [2020] No. 389) (《關於中國銀河證券股份有限公司試點開展基金投資顧問業務有關事項的覆函》(機構部函[2020]389號)) For details, please refer to the Company’s announcement published on 3 March 2020.
- (2) CSRC approved the Company to conduct pilot fund investment advisory business (the “(Letter of No Objection on Matters Regarding Conducting Spot Gold Proprietary Trading Business by China Galaxy Securities Co., Ltd.” (Ji Gou Bu Han [2020] No. 1149) (《關於中國銀河證券股份有限公司開展黃金現貨合約自營業務的無異議函》(機構部函[2020]1149號)) For details, please refer to the Company’s announcement published on 25 May 2020.

2. Material Equity Investment

(1) Acquisition of minority interests of subsidiaries

On 21 November 2018, the Company and RBS Asia Futures Limited entered into the Equity Transfer Agreement, pursuant to which RBS Asia Futures Limited agree to sell and the Company agree to acquire 16.68% equity interest in Galaxy Futures. On 26 May 2020, the relevant procedures for filing with the industrial and commercial authority of the transaction were completed, and the Company has become the holder of 100% equity interest in Galaxy Futures. For details, please refer to the announcement of the Company dated 27 May 2020.

(2) Capital increase of a subsidiary

On 25 December 2020, the Board of Directors of the Company approved the “Proposal on Submitting and Reviewing the Capital Increase to Galaxy Futures”. According to business development needs, it was agreed to increase capital in Galaxy Futures, and the registered capital increased from RMB1.2 billion to RMB2.3 billion. On 6 January 2021, Galaxy Futures completed the industrial and commercial registration procedures, and the registered capital increased to RMB2.3 billion.

(3) Other

On 12 February 2020, Galaxy International Holdings, CIMB Group Sdn. Bhd. (“CIMB Group”) each invested SGD15 million (totaling SGD30 million) into Galaxy – CIMB, and Galaxy – CIMB issued and allotted 15 million new ordinary shares to Galaxy International Holdings and CIMB Group in equal proportions at a subscription price of SGD1.00 per share. Subsequent to the capital increase, Galaxy – CIMB has a capital of SGD908 million, with the shareholding ratio of both shareholders remaining unchanged.

At the 2020 second extraordinary general meeting of China Securities Lize Real Estate (Beijing) Co., Ltd. held on 31 December 2010, the resolution in relation to the capital increase of China Securities Lize Real Estate (Beijing) Co., Ltd. was considered and approved. The meeting resolved to approve the Company’s unilateral capital increase of RMB5,364,100 to China Securities Lize. After the capital increase, the registered capital of China Securities Lize is RMB25,364,100, of which the Company contributed RMB8,664,100, representing a capital contribution of 34.16%.

SECTION VI OTHER SIGNIFICANT EVENTS

3. Administrative supervision measures and related matters faced by the Company and its branches during the Reporting Period

(1) The Company received the “Decision on Ordering China Galaxy Securities Co., Ltd. to Take Rectification Measures” ([2020] No. 64) issued by Beijing Securities Regulatory Bureau

On 22 April 2020, CSRC Beijing Branch issued the “Decision on Ordering China Galaxy Securities Co., Ltd. to Take Rectification Measures” ([2020] No. 64) to the Company, imposing administrative regulatory punishment measures against certain misconducts of the Company, including holding a type of non-equity securities exceeding the prescribed upper limit, and, as the trustee of a private equity investment fund, changing the fund’s account to receive payment according to the unilateral instruction by the fund manager, and ordering the Company to rectify the same within a prescribed period of time, to improve its internal control system, to strengthen the monitoring of risk control indicators, to timely identify and report relevant issues, to perform duties and obligation in a diligent manner acting as trustee of private equity investment funds, and to submit a written rectification report to CSRC Beijing Branch within 30 days upon receipt of the letter.

In response to the above, the Company took it seriously and instructed the departments to look into such issues comprehensively and thoroughly and to identify underlying causes. The Company adopted effective and targeted rectification measures, further reinforced its monitoring of risk control indicators, upgraded and improved the relevant system, enhanced collaboration and management across departments in connection with risk control indicators, and took effective measures to establish a long-term mechanism. In addition, the Company further enhanced its entrustment business management, completed modifications and amendments to money transfer approval process and contract templates for non-standard products, improved its processes related to due diligence investigation and review on new managers and products, with the aim to root out the risks pertaining to private equity entrustment operations. On 22 May 2020, the Company submitted to CSRC Beijing Branch the Report on Rectification by the Company in Response to Decision on Ordering China Galaxy Securities Co., Ltd. to Take Rectification Measures.

(2) The Company received “the Decision on Ordering China Galaxy Securities Co., Ltd. to Take Rectification Measures” ([2020] No. 169) issued by Beijing Securities Regulatory Bureau

On 7 December 2020, the CSRC issued to the Company the “Decision on the Order to Correct Administrative Supervision Measures against China Galaxy Securities Co., Ltd.” ([2020] No. 169) (《關於對中國銀河證券股份有限公司採取責令改正行政監管措施的決定》([2020]169號)). Regarding the Company’s failure to set up and effectively supervise the investment scope and investment ratio of individual funds as the custodian of public funds, the CSRC issued administrative supervision penalties and ordered the Company to make corrections within a time limit.

The Company attached great importance to the issue and took effective measures to actively rectify its deficiency by perfecting the process of related business monitoring, strengthening the fulfillment of responsibility, optimizing management mode, and improving the mechanism of risk control measures, such as to prevent similar matters from happening again. At the same time, the Company held relevant responsible personnel accountable.

SECTION VI OTHER SIGNIFICANT EVENTS

(3) Chongqing Mixc Securities Branch received “the Decision on Issuing Chongqing Mixc Securities Branch of China Galaxy Securities Co., Ltd. Warning Letter Measure” ([2020] No. 22) issued by CSRC Chongqing Branch

On 30 December 2020, CSRC Chongqing Branch issued “the Decision on Issuing Chongqing Mixc Securities Branch of China Galaxy Securities Co., Ltd. Warning Letter Measure” ([2020] No. 22) to Chongqing Mixc Securities Branch, for the branch's failure to effectively supervise and manage the standard use of the office electronic equipment of the branch, and took administrative measures such as issuing warning letters to the Company for drawing up assessment plans for re-assessment linked to the annual performance after the completion of the annual assessment of special compliance managers by the Company.

The Company attached great importance to the issue and took effective measures to actively rectify its deficiency by strictly holding relevant responsible personnel accountable, and removing the head of the branch responsible persons from relevant posts. The Company will further strengthen the internal control and management of branches, and strengthen caution education, thus to avoid similar non-compliance.

4. Matters related to the public transfer of the Company’s creditor rights to customers’ share pledge projects

On 14 August 2020, the Company convened the 60th meeting (interim) of the third session of the Board, which passed the Proposal on the Public Transfer of the Company’s Creditor Rights to Customers’ Share Pledge Projects. It is agreed to adopt dynamic quotation approach to implement public transfer of the Company’s creditor rights to Zhou Weihong in accordance with the relevant transaction rules of the Beijing Financial Assets Exchange for the transfer of claims. According to the “Interim Measures for the Supervision and Administration of State-owned Assets Evaluation of Financial Enterprises” and the “Measures for the Supervision and Administration of State-owned Assets Transactions in Enterprises”, the Company shall adopt the valuation price filed with relevant authorities as at the valuation benchmark date as the transfer reserve price in the first formal disclosure. If the intended transferee cannot be solicited by the expiration of the first disclosure period, the Company’s management can re-determine the transfer reserve price within the scope of not less than 90% (inclusive) of the assessment result to re-disclose information.

On 12 January 2021, Beijing Financial Assets Exchange Co., Ltd. issued a Notice of Transaction Results to the Company. As of 11 January 2021, the above information disclosure periods have expired, and no eligible investors have been solicited. At present, the Company is working on the next disposal plan.

VII. IMPORTANT ISSUES AFTER THE PERIOD

For details, please refer to “Section V Directors’ Report – III. Bonds Issue-(ii) Bonds issue after the Reporting Period”.

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 obtained an AA rating in Category A in 2018, an A rating in Category A in 2019 and an AA rating in Category A in 2020.

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN ORDINARY SHARES

During the Reporting Period, the total number of ordinary shares and share capital structure of the Company had no changes.

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)	106,887
Total number of holders of ordinary shares as at the end of the previous month before the date of disclosure of annual report (account)	106,338
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

Note: The total number of shareholders includes the number of holders of A ordinary shares and registered holders of H Shares. As at the End of the Reporting Period, 106,171 accounts were holders of A Shares and 716 accounts were registered holders of H Shares. As at the end of the previous month before the date of disclosure of annual report, 105,628 accounts were holders of A Shares and 710 accounts were registered holders of H Shares.

(ii) Shareholdings of the top 10 shareholders and top 10 holders of circulating shares (or shareholders not subject to lock-up) as at the End of the Reporting Period

Unit: Share(s)

Name of shareholders (Full name)	Shareholdings of the top 10 shareholders						
	Increase or decrease during Reporting Period	Number of Shares held as at the End of Reporting Period	Percentage (%)	Number of Shares subject to lock-up held	Pledged or frozen		Nature of shareholders
					Status of shares	Number of shares held	
Galaxy Financial Holdings	0	5,186,538,364	51.16	0	Nil	0	State-owned legal person
HKSCC Nominees Limited	73,950	3,688,168,046	36.38	0	Nil	0	Overseas legal person
China Securities Finance Corporation Limited	0	84,078,210	0.83	0	Nil	0	State-owned legal person
Hong Kong Securities Clearing Company Limited	47,815,456	67,141,142	0.66	0	Nil	0	Overseas legal person
Bank of Lanzhou Co., Ltd.	-1,128,248	41,941,882	0.41	0	Nil	0	Domestic non-state-owned legal person
China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	14,974,800	28,405,783	0.28	0	Nil	0	Other
Zhongshan Financial Investment Holdings Co., Ltd.	0	19,241,213	0.19	0	Nil	0	State-owned legal person
Joincare Pharmaceutical Industry Group Co., Ltd.	-7,003,137	18,979,863	0.19	0	Nil	0	Domestic non-state-owned legal person
China Construction Bank Corporation – Huabao CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	10,533,473	15,900,112	0.16	0	Nil	0	Other
The National Social Security Fund 412 Composition	1,690,167	14,147,533	0.14	0	Nil	0	Other

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Notes:

- (1) Galaxy Financial Holdings held 5,160,610,864 A Shares and 25,927,500 H Shares as at the End of the Reporting Period.
- (2) HKSCC Nominees Limited held the H shares on behalf of a number of customers.
- (3) Hong Kong Securities Clearing Company Limited is a nominal holder of A Shares of the Company held by investors trading under Shanghai-Hong Kong Stock Connect.

Unit: Share(s)

<i>Shareholdings of the top 10 shareholders not subject to trading restriction</i>			
Name of shareholders	Number of shares not subject to trading restriction held	Type and number of shares held	
		Type	Number
Galaxy Financial Holdings	5,186,538,364	Renminbi ordinary Shares	5,186,538,364
HKSCC Nominees Limited	3,688,168,046	Overseas-Listed Foreign-Invested Shares	3,688,168,046
China Securities Finance Corporation Limited	84,078,210	Renminbi ordinary Shares	84,078,210
Hong Kong Securities Clearing Company Limited	67,141,142	Renminbi ordinary Shares	67,141,142
Bank of Lanzhou Co., Ltd.	41,941,882	Renminbi ordinary Shares	41,941,882
China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	28,405,783	Renminbi ordinary Shares	28,405,783
Zhongshan Financial Investment Holdings Co., Ltd.	19,241,213	Renminbi ordinary Shares	19,241,213
Joincare Pharmaceutical Industry Group Co., Ltd.	18,979,863	Renminbi ordinary Shares	18,979,863
China Construction Bank Corporation – Huabao CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	15,900,112	Renminbi ordinary Shares	15,900,112
The National Social Security Fund 412 Composition	14,147,533	Renminbi ordinary Shares	14,147,533
Details of the connected relationship amongst, or connected action between, the above shareholders	The Company is not aware of any related-party/connected shareholders/or any shareholders acting in concert. Shares held by HKSCC Nominees Limited are H Shares held by agents entrusted by overseas investors and shares held by Hong Kong Securities Clearing Company Limited are A Shares held by overseas investors through northbound trading of Shanghai Connect.		
Preference shareholders with voting rights restored and number of shares held	Nil		

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Unit: Share(s)

Changes in restricted shares						
Name of shareholders	Number of shares held subject to lock-up at the beginning of the year	Number of shares released during the year	Increase in lock-up shares during the year	Number of lock-up shares as at the end of the year	Reason for lock-up	Date of release from lock-up
Galaxy Financial Holdings Account No. 1 of National Council for Social Security Fund	5,160,610,864	5,160,610,864	0	0	Lock-up of IPO	23 January 2020
	57,132,376	57,132,376	0	0	Lock-up of IPO	23 January 2020
Total	5,217,743,240	5,217,743,240	0	0	/	/

Note: In order to promote the Company's sustainable, stable and healthy development and safeguard the interests of shareholders of the Company based on the confidence in the Company's sustainable and stable development in the future and the recognition of the Company's long-term investment value, on 18 January 2020, Galaxy Financial Holdings committed not to reduce the holding in the above shares within 6 months from the date when the restrictions on the above shares subject to lock-up were released.

(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
	H Shares	Interests of controlled corporation	25,927,500	0.26	0.72	Long position
Galaxy Financial Holdings ^(Note 2)	A Shares	Beneficial owner	5,160,610,864	50.91	80.06	Long position
	H Shares	Beneficial owner	25,927,500	0.26	0.70	Long position

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

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
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

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

Note 2: Huijin directly holds approximately 69.07% equity interest in Galaxy Financial Holdings and is therefore deemed to be interested in 5,160,610,864 A Shares and 25,927,500 H 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.

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 required to be recorded in the register pursuant to Section 336 of the SFO.

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

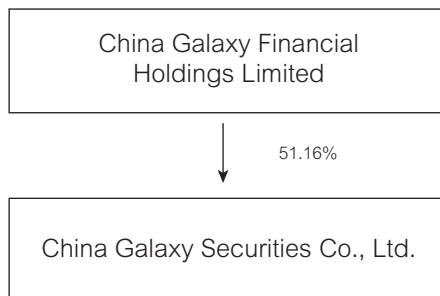
III. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(i) Controlling Shareholder

1. Legal person

Name	China Galaxy Financial Holdings Limited
Person in charge of the company or legal representative:	Li Mei
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
Others:	Nil

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



SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

(ii) De Facto Controller

1 Legal person

Name	Central Huijin Investment Ltd.
Person in charge of the company or legal representative:	Peng Chun
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
Others:	Nil

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



IV. COMPLIANCE WITH UNDERTAKING BY CONTROLLING SHAREHOLDER

After making an enquiry with 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 Directors, Supervisors and senior management and those resigned during and after 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	Whether received remuneration from the Company's related parties or not
										(RMB0'000)	
Chen Gongyan	Executive Director, Chairman and Chairman of the Executive Committee	Male	59	2016.10.18	Present	0	0	0	-	326.83	No
Chen Liang	Executive Director, Vice Chairman, Vice Chairman of the Executive Committee and President	Male	53	2019.12.20	Present	0	0	0	-	195.15	No
Liu Dingping	Non-executive Director	Male	59	2018.2.9	Present	0	0	0	-	0	Yes
Xiao Lihong	Non-executive Director	Female	56	2019.2.26	Present	0	0	0	-	0	Yes
Liu Ruizhong	Independent Director	Male	68	2017.9.29	Present	0	0	0	-	26.00	No
Wang Zhenjun	Independent Director	Male	64	2018.2.9	Present	0	0	0	-	27.00	No
Liu Chun	Independent Director	Female	58	2019.2.26	Present	0	0	0	-	26.00	No
Law Cheuk Kin, Stephen	Independent Director	Male	59	2020.6.29	Present	0	0	0	-	8.91	No
Chen Jing	Chairman of the Supervisory Committee	Female	58	2017.5.5	Present	0	0	0	-	296.54	No
Chen Jijiang	Employee Supervisor	Male	55	2015.6.29	Present	0	0	0	-	219.29	No
Fan Minfei	Employee Supervisor	Male	55	2020.3.25	Present	0	0	0	-	223.43	No
Tao Libin	External Supervisor	Male	44	2016.10.18	Present	0	0	0	-	12.00	No
Fang Yan	External Supervisor	Female	53	2019.2.26	Present	0	0	0	-	12.00	No
Li Xianglin	Vice President and Member of the Executive Committee	Male	53	2016.8.30	Present	0	0	0		265.22	No
Wu Jianhui	Member of the Executive Committee and Chief Risk Officer	Male	51	2011.11.18	Present	0	0	0		317.00	No
Yin Yanwu	Member of the Executive Committee and Chief Business Officer	Male	47	2012.12.31	Present	0	0	0		238.06	No
Wu Chengming	Secretary to the Board and Member of the Executive Committee	Male	58	2012.8.16	Present	0	0	0		246.18	No

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

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	Whether received remuneration from the Company's related parties or not
										(RMB'000)	
Luo Liming	Member of the Executive Committee and Chief Business Officer	Male	45	2017.6.30	Present	0	0	0		247.16	No
Wu Guofang	Member of the Executive Committee and Chief Business Officer	Male	50	2017.12.20	Present	0	0	0		222.28	No
Liang Shipeng	Member of the Executive Committee and Chief Compliance Officer	Male	51	2019.7.5	Present	0	0	0		210.39	No
Zhang Tianli (resigned during the Reporting Period)	Non-executive Director	Male	59	2019.2.26	2020.9.22	0	0	0	-	0	Yes
Wang Zelan (resigned during the Reporting Period)	Employee Supervisor	Female	56	2019.2.26	2020.12.24	0	0	0	-	195.27	No
Liu Zhiyi (resigned after the Reporting Period)	Employee Supervisor	Female	57	2013.5.22	2020.3.25	0	0	0	-	134.32	No
Total	/	/	/	/	/	/	/	/	/	3,449.03	/

- Notes: 1. When there are several positions in the position column, the term of the first position is listed only.
2. The Company did not grant shares or 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.
3. Total remuneration before tax of the Company's Directors, Supervisors and senior management received from the Company during the Reporting Period was in accrual nature. The final numbers of remuneration are under audit, which will be disclosed once confirmed.
4. On 25 March 2020, the Company convened the fifth meeting of the second session of employee representative meeting. Mr. Fan Minfei was elected as an employee Supervisor of the third session of the Supervisory Committee of the Company with the term of office commencing from 25 March 2020. The remuneration Mr. Fan Minfei received from the Company during the Reporting Period was the remuneration for his service as an employee of the Company.

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Key working experience
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Executive Directors (2 persons)

Chen Gongyan born in June 1962, has been an Executive Director, the Chairman and the chairman of the Executive Committee of the Company since October 2016; the chairman of Securities Association of China since June 2011. Mr. Chen served as the chairman of the board of directors of China Securities Investor Protection Fund Corporation Limited from July 2005 to September 2011, a director and chairman of Galaxy Financial Holdings from May 2016 to October 2018, and deputy general manager of Huijin from August 2016 to June 2019. 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.

Chen Liang born in January 1968, is an Executive Director, Vice Chairman, President, vice chairman of the Executive Committee of the Company. Mr. Chen Liang graduated from Xinjiang University majoring in mathematics and obtained a bachelor's degree in July 1989, and obtained an EMBA degree from Fudan University in January 2016. From October 1994 to February 2001, Mr. Chen successively served as the director of the Computer Division, deputy general manager of the Securities Division, manager of the Securities Branch in Wenyi Road, and deputy general manager of the Securities Business Headquarters of Xinjiang Hongyuan Trust Investment Co., Ltd.. From February 2001 to September 2009, he successively served as the general manager of the Urumqi Business Headquarters of Hong Yuan Securities Co., Ltd., assistant to the general manager of the Company, general manager of the Xinjiang Sales and Marketing Center, and general manager of the Corporate Brokerage Business Headquarters of Hong Yuan Securities Co., Ltd.. From September 2009 to January 2015, he served as deputy general manager of Hong Yuan Securities Co., Ltd. and chairman of the board of directors of Hongyuan Futures Co., Ltd.. From December 2014 to May 2019, he served as a member of the Party Committee of each of Shenwan Hongyuan Group Co., Ltd. and Shenwan Hongyuan Securities Co., Ltd., the general manager of Shenwan Hongyuan Group, and an executive director of Shenwan Hongyuan Securities (Western) Co., Ltd.. From August 2015 to May 2019, he served as the secretary of the Party Committee of Shenwan Hongyuan Securities (Western) Co., Ltd..

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Non-executive Directors (2 persons)

Liu Dingping

born in September 1962, has been 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. 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.

Xiao Lihong

born in July 1965, has been a non-executive Director of the Company since February 2019. Ms. Xiao has been a director of Galaxy Financial Holdings since October 2018, a non-executive director of Bank of China and a member of its Strategic Development Committee, Risk Policy Committee and U.S. Risk management Committee since August 2017. Ms. Xiao held various positions in the State Administration of Foreign Exchange, including a cadre and a staff member of the General Office, a senior staff member and a principal staff member of the Non-trade Foreign Exchange Management Division under the Management and Inspection Department from August 1988 to October 1996; the deputy division chief of the Current Account Division and the deputy division chief of the Non-trade Foreign Exchange Management Division under the Management and Inspection Department from October 1996 to April 2002; the division chief of the Business Supervision Division of the Current Account Management Department from April 2002 to September 2004, and the deputy director and an inspector of the Current Account Management Department from September 2004 to September 2017. She also served as vice president of Beijing Branch of China Construction Bank from July 2011 to July 2012. Ms. Xiao graduated from the Central College of Finance and Economics in June 1988 majoring in finance with a bachelor's degree in economics, from the Central University of Finance and Economics in September 2003 majoring in finance with a master's degree in economics, and from Peking University in July 2012 majoring in public administration with a master's degree in public administration.

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Independent Non-executive Directors (4 persons)

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 a director of Harfor Fund Management Co., Ltd. since 2007, a director of Shenhua Futures Co., Ltd. since 2011, a director of Guantong Futures Brokerage Co., Ltd. since 2014 and a director of PPM (Shenzhen) Inc. (a company listed on the New OTC Board, stock code: 834044) since 2016. 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 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. Mr. Wang 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. He has been an independent director of Bank of Dalian Co., Ltd. since April 2019. 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; from Tianjin College of Finance and Economics with a major in monetary banking in May 1998; and from Tianjin College of Finance and Economics with a major in finance and obtained a master's degree in economics in June 1999 and was qualified as senior economist in November 1994.

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Liu Chun

born in January 1963, has been an independent non-executive Director of the Company since February 2019. Ms. Liu was the finance manager of Dalian Friendship (Group) Co., Ltd. from July 1985 to May 2001 and held various positions in the Dalian branch of China National Investment and Guaranty Corporation (formerly known as China Economic Technology Investment and Guaranty Co., Ltd., China National Investment and Guaranty Co., Ltd. and China National Finance and Guaranty Co., Ltd.) from May 2001 to January 2018, including the finance manager, an assistant to the general manager, the person in charge of accounting function, the deputy general manager, chief financial officer, an assistant general manager of the Accounting Management Department, and the senior manager of the Financial Accounting Department. Ms. Liu graduated from Jiangxi College of Finance and Economics in 1985 majoring in trade and economics with a bachelor's degree in economics, and obtained the qualification of senior accountant in May 2006.

Law Cheuk Kin, Stephen

born in November 1962, has been an independent non-executive Director of the Company since June 2020. Mr. Law Cheuk Kin, Stephen was an accountant of Arthur Anderson, Hugill & Co. and KPMG Hong Kong from August 1984 to March 1991, and the finance director of each of Hyder Consulting Limited and Masons Solicitors from April 1991 to January 1995. He served as a manager of each of Wheelock and Company Limited and Wharf (Holdings) Limited from February 1995 to July 2000, and a director of Morningside Group from July 2000 to July 2006. He worked in TPG Growth Capital (Asia) Limited from July 2006 to September 2012, holding the position of managing director before departure. He served as the chief financial officer of Guoco Group Limited from October 2012 to June 2013, the finance director and a member of the executive directorate of MTR Corporation Limited from July 2013 to July 2016, an adjunct professor of the Hong Kong Polytechnic University from 2015 to 2017, an independent non-executive director of AAG Energy Holdings Limited from July 2016 to September 2018, and an independent non-executive director of Stealth BioTherapeutics Inc. from June 2018 to July 2019. Mr. Law Cheuk Kin Stephen has been the managing director of ANS Capital Limited since January 2017, an independent non-executive director of China Everbright Limited since May 2018, an independent non-executive director of Bank of Guizhou Company Limited since November 2018, an independent non-executive director of Somerley Capital Holdings Limited since February 2019, and an independent non-executive director of CSPC Pharmaceutical Group Limited since March 2021. He graduated from the University of Birmingham, the United Kingdom with a bachelor's degree in science in July 1984 and the University of Hull, the United Kingdom with a master's degree in business administration in 1996. Mr. Law Cheuk Kin, Stephen has accounting qualifications in the United Kingdom and Hong Kong, and is an expert consultant appointed by the Ministry of Finance of the PRC to provide advice on management accounting. He was a council member of the Hong Kong Institute of Certified Public Accountants from January 2010 to December 2017.

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Supervisors (5 persons)

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 the Company. From March 1997 to March 2000, Ms. Chen served consecutively as deputy manager and manager of 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 the Company. She served as the Vice President of the Company from August 2007 to March 2017 and a member of the Executive Committee of the Company from December 2012 to March 2017. She served as the chairman of Galaxy Yuanhui Investment Co., Ltd. from December 2015 to June 2018. Ms. Chen has been the chairman of the labor union committee of the Company since October 2012. Ms. Chen obtained a bachelor's degree in engineering from Huazhong Institute of Engineering (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.

Tao Libin born in November 1977, has been a Supervisor of the Company since October 2016. Mr. Tao 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, associate chairman, associate professor and chairman of the Investment Department of the School of Banking and Finance of the University of International Business and Economics since January 2009. 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 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.

Fang Yan born in September 1968, has been a Supervisor of the Company since 26 February 2019. Ms. Fang was a teacher of the Party School of Beijing Municipal Public Security Bureau from July 1990 to June 1994, a partner of the Beijing LCC Partners Law Office from June 1994 to October 1995, and the deputy division chief of the Legal Department of Shaanxi International Trust Investment Co. Ltd. from October 1995 to March 2000. She has been a senior partner of Jincheng Tongda & Neal Law Firm and the director of its Xi'an branch since March 2000. Ms. Fang is a member of the 13th National People's Congress, a director of the All China Lawyers Association, the vice president of Shaanxi Provincial Lawyers Association and a member of its Party Committee, a special supervisor of the third session of the Supreme People's Court, a special supervisor of the Supreme People's Procuratorate, and a direct contact representative of the vice chairman of the National People's Congress. Ms. Fang graduated from Renmin University of China in July 1990 with a bachelor's degree in law, and from Northwest University in July 2001 with a master's degree in economics.

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Chen Jijiang

born in May 1966, has been an 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 the system of China Cinda Asset Management Co., Ltd. from June 1999 to June 2002. He has been the 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, person in charge of Party-Masses Work Department, the director of the Party Committee Office, executive deputy secretary of the Party Committee of the Company institution, deputy chairman of labor union of the Company, member of the Discipline Inspection Committee of the Company and the director of the Party Committee Office for leaders of inspection group 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.

Fan Minfei

born in October 1966, holds a postgraduate degree and is a senior accountant and is currently the general manager of the finance & treasury department of the Company and the chairman of Galaxy Capital Management Company Limited. From February 1993 to October 2002, Mr. Fan served as the chief manager of the financial planning department of China SCI-Tech International Trust Investment Co., Ltd. (中國科技國際信託投資有限責任公司), the chief financial officer of its Beihai Branch, the chief financial officer of its Hainan representative office, as well as the deputy general manager of Shengsheng Department Store (生生百貨商場) in Hainan, an assistant to the general manager of its audit department, and the deputy general manager of its asset management department. From October 2002 to November 2006, he served as the deputy general manager and the general manager of the finance and accounting department, and the general manager of the clearing department of China Sci-tech Securities Co., Ltd. (中國科技證券有限責任公司). From November 2006 to June 2009, he served as the general manager of the cost consulting center and the general manager of the asset management department of Beijing Zhongguancun Science City Construction Co., Ltd. (北京中關村科學城建設股份有限公司). From June 2009 to May 2010, he was the senior manager of the office of the general manager of Cinda Securities Co., Ltd. (信達證券股份有限公司). Since May 2010, he has been the deputy general manager (in charge of work) of the strategy and research department, the general manager of the strategy and research department, the supervisor of the office of the president, the general manager of the financial planning department, and the general manager of the financial management department and the capital management department of the Company, a director of Galaxy Futures Company Limited and a director of Galaxy Capital Management Company Limited. Mr. Fan obtained a bachelor's degree in law from Peking University in 1989 and a master's degree (full-time) in law from the Party School of the Central Committee of the Communist Party of China in 1993.

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Other senior management (7 persons)

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 the 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 the manager of organization management department, general manager of Nanjing business department, senior manager of trading department, deputy general manager (in charge of work) of research institute, 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 an assistant to the president and general manager of Beijing management headquarter 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 the Party Committee member, deputy general manager and general manager of Beijing asset management branch, deputy secretary of the Party Committee, deputy general manager and general manager of Beijing asset management branch of Hong Yuan Securities Co., Ltd.. From January 2015 to August 2016, he served as deputy general manager of Shenwan Hongyuan Securities Co., Ltd.. He has been a member of the Executive Committee and Vice President of the Company since August 2016, and the chairman of Galaxy Futures Company Limited from December 2016 to July 2018. 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.

Wu Jianhui

born in November 1970, holds a doctorate degree in economics, and is a senior economist. He is currently a member of the Executive Committee and Chief Risk Officer of the Company. 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 (in charge of work) of training and development division, deputy manager (in charge of work) of general information division 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 Party Committee organization department/human resources department of Bank of China Limited (中國銀行股份有限公司), during which he also served as vice chairman of the annuity board of the Bank of China and a 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 of Party Committee organization department/human resources department of China Investment Corporation. From July 2010 to April 2012, Mr. Wu served as the head of Party Committee organization department and general manager of human resources department of the Company. From June 2010 to March 2011, he served as the acting secretary to the Board of the Company. From March 2011 to August 2012, he served as the secretary to the Board of the Company. He served as a director of Galaxy Capital from July 2011 to March 2018, and has been the Chief Human Resources Officer of the Company since November 2011 and a member of the Executive Committee of the Company since December 2012. From January 2016 to January 2018, Mr. Wu was seconded as a member of the standing committee of the municipal committee and deputy mayor (in charge of finance) of Zunyi City, Guizhou Province. From January 2018 to August 2020, he served as a member of the Executive Committee, Chief Business Officer and acting Chief Risk Officer of the Company. He has been a member of the Executive Committee and Chief Risk Officer of the Company since August 2020; and concurrently the Secretary General of the Risk Management Committee of the fifth session of the Board of the SSE since April 2020. 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 doctorate degree in economics from Renmin University of China in January 2005.

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

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 and a member of the Executive Committee of the Company. He is responsible for the research, international and asset management business of the 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. From June 2008 to November 2011, he worked in the risk management department of China Investment Corporation (中國投資有限責任公司). 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.

Wu Chengming

born in December 1963, served as a Director of the Company from August 2009 to February 2019, the Secretary to the Board of the Company since August 2012, a member of the Executive Committee of the Company since December 2012, and a director of Zhengtong Co., Ltd. since June 2018. 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 he was also a 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.

Luo Liming

born in September 1976, holds a doctorate degree in computer science, and is a member of securities sub-committee of China Financial Standardization Technical Committee (CFSTC), the chief expert of the Professional Working Group on Information Disclosure of CFSTC (證標委信息披露領域專業工作組), the deputy director of Internet Securities Committee of the Securities Association of China, vice chairman of the China Computer Users Association, vice chairman of the Securities Association of Beijing and chairman of its brokerage business committee. Mr. Luo is currently a member of the Executive Committee and the Chief Business 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, assistant to the general manager 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 the China Securities Regulatory Commission 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, a member of the Communist Party of China, and holds a doctorate degree in law. He is vice chairman of investment banking committee of the Securities Association of China and vice president of Ningxia Securities and Futures Fund Association. He is a member of the Executive Committee, Chief Business Officer and chairman of the Investment Banking Management Committee of the Company. Mr. Wu successively worked at the Legal Affairs Committee of the Standing Committee of the National People's Congress and the CSRC since July 2000, and successively served as the director of legal department, a member of the ChiNext Stock Issuance Review Committee and the director of issuance supervision department of the CSRC, assistant to the director of the Administrative Committee of Zhongguancun Science Park, Beijing, and deputy director of legal department of the CSRC from May 2002 to November 2017.

Liang Shipeng

born in November 1969, holds a bachelor's degree in economics from Northwest University and an MBA degree from Northwest University. He is a member of the Executive Committee and the Chief Compliance Officer of the Company. From September 1994 to December 1998, Mr. Liang Shipeng served as a staff member of the Investing Banking Department of Hainan Securities Company Limited and a staff member of Qinghai Securities Management Office. From December 1998 to May 2002, he served as a senior staff member, principal staff member and deputy division chief of the Listed Company Regulatory Division of Xining Special Commissioner's Office of the CSRC. From May 2002 to March 2004, he was the deputy division chief and division chief of the Institution Regulatory Division of Xining Special Commissioner's Office of the CRSC. From March 2004 to December 2007, he served as the division chief of the Institution Regulatory Division of the Qinghai Regulatory Bureau of the CSRC. From December 2007 to February 2011, he served as a member of the Party Committee and the deputy chief of the Tibet Regulatory Bureau of the CSRC. From February 2011 to December 2014, he served as a member of the Party Committee, the secretary of the Discipline Inspection Commission and deputy chief of the Qinghai Regulatory Bureau of the CSRC. From December 2014 to April 2019, he was the secretary of the Party Committee and chief of the Qinghai Regulatory Bureau of the CSRC.

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
Zhang Tianli	Galaxy Financial Holdings	Director	August 2017	September 2020
Xiao Lihong	Galaxy Financial Holdings	Director	October 2018	Present

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(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	Securities Association of China	Chairman	June 2011	Present
	SSE	Director and Chairman of the Risk Management Committee of the Board of Directors	April 2020	Present
	SZSE	Member director	April 2017	November 2020
	Asian Financial Cooperation Association	Vice Chairman	July 2017	December 2020
	The Green Finance Cooperation Committee of AFCA	Director	November 2018	Present
Xiao Lihong	Bank of China Limited	Non-executive director	August 2017	Present
Liu Ruizhong	Beijing Huachuang Investment Management Co., Ltd.	General manager	January 2000	Present
	Harfor Fund Management Co., Ltd.	Independent director	April 2006	Present
	Shenhua Futures Co., Ltd.	Independent director	May 2010	Present
	Guantong Futures Co., Ltd. PPM (Shenzhen) Inc.	Independent director Independent director	July 2012 August 2014	Present Present
Wang Zhenjun Law Cheuk Kin, Stephen	Bank of Dalian Co., Ltd.	Independent Director	April 2019	Present
	ANS Capital	Managing Director	January 2017	Present
	China Everbright Limited	Independent Non-executive Director	May 2018	Present
	Bank of Guizhou Company Limited	Independent Non-executive Director	November 2018	Present
	CSPC Pharmaceutical Group Limited	Independent Non-executive Director	March 2021	Present
Somerly Capital Holdings Limited	Independent Non-executive Director	February 2019	Present	
Chen Jing	Galaxy Financial Holdings Working Committee under the National Committee of the China Financial Labor Union	Vice chairman	July 2013	Present
	The Fifth Funding Review Committee of China Finance Union	Member	September 2018	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
	Research Association of Ideological and Political Work of China Financial Institutions	Executive director of the fifth session of the council	March 2017	Present
	Securities Association of China	Vice chairman of the investor service and protection committee	April 2018	Present
Tao Libin	University of International Business and Economics	Chairman and associate professor of the investment department of the school of finance	January 2009	Present
Fang Yan	Jincheng Tongda & Neal Law Firm	Senior partner and director of Xi'an branch	March 2000	Present
Liu Zhiyi	Beijing National Accounting Institute	Part-time professor	September 2012	Present
Chen Liang	China Association for Public Companies	Council member, vice president	December 2019	Present
	Securities Association of China	Chairman	December 2019	January 2020
Li Xianglin	Securities Association of China	Member of human resources management committee	January 2018	Present
	Securities Association of Beijing	Chairman of brokerage business committee	December 2016	July 2019
Wu Jianhui	Financial Talent Committee of the China Talent Research Association	Vice chairman	January 2013	Present
	SSE	Secretary of the risk management committee	April 2020	Present
	Securities Association of China	Member of compliance management committee	January 2018	Present
Yin Yanwu	Securities Association of Beijing	Vice chairman of the asset management business committee	January 2014	Present
	Securities Association of China	Vice chairman of the over the counter committee	April 2018	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
	Asian Financial Cooperation Association	Vice chairman of the inclusive finance committee	April 2018	Present
	SSE	Member of internationalization development committee	April 2020	Present
	China Society of Finance and Banking	Deputy secretary	December 2020	Present
Wu Chengming	Listed Companies Association of Beijing	Director of the fifth session of the board of directors	August 2018	Present
	Zhengtong Co., Ltd.	Director	June 2018	Present
Luo Liming	Securities Association of China	Vice chairman of Internet securities committee	January 2018	Present
	China Financial Standardization Technical Committee (CFSTC)	Member of the securities sub-committee, chief expert of the professional working group on information disclosure of CFSTC	April 2015	Present
	China Computer Users Association	Vice chairman	May 2018	Present
	Securities Association of Beijing	Director of the fifth session of the board of directors	August 2020	Present
	Securities Association of Beijing	Vice president, chairman of brokerage business committee	August 2019	August 2020
Wu Guofang	Securities Association of China	Vice chairman of investment banking committee	January 2018	Present
	Ningxia Securities and Futures Fund Association	Vice president of the Association	May 2019	Present
	SSE	Vice chairman of bonds development committee	January 2020	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
Liang Shipeng	Securities Association of China	Member of securities industry culture construction committee	November 2019	Present
Description of positions in other entities	–			

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedure of remuneration 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 the “Administrative Measures for Remuneration of Directors and Supervisors of the Company” and the “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 relevant content in this section of the report for details of the remuneration of the existing Directors, Supervisors and senior management and those resigned during the Reporting Period expected to receive from the Company during the Reporting Period.

Actual total remuneration of all the Directors, Supervisors and senior management as at the End of the Reporting Period

The total amount of remuneration (before tax) received by all the Directors, Supervisors and senior management was RMB34.4903 million in 2020.

The Chairman of the Board, Chairman of the Supervisory Committee and senior management of the Company (the “Deferred Distribution Officers”) receive deferred performance-based remuneration. Before 2019 (excluding 2019), the performance-based remuneration of the Deferred Distribution Officers was decided by the Board based on the results of their annual performance appraisal, and 40% or more shall be paid by way of deferred distribution. The payment of deferred distribution remuneration shall follow the principle of equal division, and the deferred distribution period shall not be less than three years. After 2019 (including 2019), the performance-based remuneration of the Deferred Distribution Officers shall be deferred for distribution over three years according to the ratio of 30%, 30%, 30%, with 10% as incentive income for the term of office, which will be paid together with the third year performance-based remuneration, based on the results of the comprehensive assessment and evaluation for the term.

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Changes	Reason for changes
Law Cheuk Kin, Stephen	Independent Non-executive Director	Elected	On 29 June 2020, Mr. Law Cheuk Kin, Stephen was elected as independent Director of the third session of the Board of the Company at the 2019 annual general meeting of the Company.
Zhang Tianli	Non-executive Director	Resigned	On 22 September 2020, the Board of the Company received a written application for resignation from Mr. Zhang Tianli, a non-executive Director. Mr. Zhang Tianli tendered his resignation as a non-executive Director, member of the Strategy and Development Committee, member of the Compliance and Risk Management Committee and member of the Audit Committee of the Company due to other work arrangements. Mr. Zhang Tianli's resignation took effect when his resignation application was delivered to the Board.
Wang Zelan	Employee Director	Resigned	On 24 December 2020, the Board of the Company received a written application for resignation from Ms. Wang Zelan, an employee Director. Ms. Wang Zelan tendered her resignation as an employee Director and member of the Compliance and Risk Management Committee of the Company as she has reached the statutory retirement age. Ms. Wang Zelan's resignation took effect when her resignation application was delivered to the Board.
Fan Minfei	Employee Supervisor	Elected	On 25 March 2020, the Company convened the fifth meeting of the second session of employee representative meeting of the Company. Mr. Fan Minfei was elected as an employee Supervisor of the third session of the Supervisory Committee of the Company. Ms. Liu Zhiyi, the original employee Supervisor, ceased to be an employee Supervisor of the third session of the Supervisory Committee of the Company as she has reached the statutory retirement age.
Liu Zhiyi	Employee Supervisor	Resigned	

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Other explanations:

1. On 14 August 2020, the “Proposal for Reviewing the Appointment of Mr. Wu Jianhui as the Company’s Chief Risk Officer” was considered and approved at the 60th meeting (extraordinary) of the third session of the Board, pursuant to which Mr. Wu Jianhui was appointed as the chief risk officer of the Company, and Mr. Chen Liang, the vice chairman of the Board and the president of the Company, ceased to act as the chief risk officer.
2. On 14 August 2020, the “Proposal for Appointing Mr. Ke Suchun as the Company’s Securities Affair Representative” was considered and approved at the 60th meeting (extraordinary) of the third session of the Board of the Company, pursuant to which Mr. Ke Suchun was appointed as the securities affair representative of the Company, obtained the qualification required by the SSE for such position and performed his duties.
3. On 10 February 2021, the “Proposal for Recommending the Candidates for Directors of the Fourth Session of the Board of China Galaxy Securities Co., Ltd.” was considered and approved at the 65th meeting of the third session of the Board of the Company, nominating Mr. Chen Gongyan, Mr. Chen Liang, Mr. Liu Dingping, Mr. Yang Tijun, Ms. Liu Chang, Mr. Liu Zhihong, Mr. Liu Ruizhong, Mr. Wang Zhenjun, Ms. Liu Chun and Mr. Law Chuek Kin, Stephen as candidates for Directors of the fourth session of the Board of the Company, and will be submitted to the general meeting for consideration and approval. On the same day, the “Proposal for Recommending the Candidates for Supervisors of the Fourth Session of the Supervisory Committee of China Galaxy Securities Co., Ltd.” was considered and approved on an individual basis at the first extraordinary meeting of the third session of the Supervisory Committee of the Company in 2021, nominating Ms. Chen Jing, Mr. Fan Wenbo and Mr. Tao Libin as candidates for Supervisors of the fourth session of the Supervisory Committee of the Company, which will be submitted to the general meeting for consideration and approval.

V. PARTICULARS OF PENALTIES IMPOSED BY SECURITIES REGULATORY AUTHORITIES ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT WITHIN THE LAST THREE YEARS

Nil

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

VI. STAFF AND REMUNERATION

(i) Numbers and composition of staff

Number of employees of the Company	8,977
Number of employees of major subsidiaries	2,568
Total number of employees	11,545
Number of resigned and retired employees with expenses borne by the Company and major subsidiaries	717

Profession Structure

Category	Number of persons
Securities broker	7,677
Futures broker	540
Investment bank	413
Assets management	144
Proprietary trading	194
Private equity investment	49
Investment research	268
Clearing	162
Legal/Risk Control/Audit	735
IT	594
Planning and Finance	295
Administrative management	474
Total	11,545

Educational Background

Category	Number of persons
Doctors	96
Masters	2,420
Bachelors	7,365
Associate degree and below	1,664
Total	11,545

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(ii) Remuneration of staff

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 staff. The pay scale 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 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 staff according to relevant requirements of the PRC. Meanwhile, in order to improve benefits coverage, the Company also provided enterprise annuity and supplementary medical insurance for its employees.

(iii) Training plan

In order to consistently improve the professional abilities and occupational qualities of staff to achieve its strategic targets, the Company has developed the training plan with overall consideration, hierarchical classification and stressing key issues.

During the Reporting Period, the online training and learning platform of the Company, "Galaxy University", released a total of 160 courses, with a total course duration of 138 hours; at the End of the Reporting Period, the platform had a total of 523 courses and a total course duration of 645 hours. During the Reporting Period, the Company organized 15 offline training sessions, with a total training duration of about 274 class hours and a total of more than 1,000 participants (including personnel of the headquarters and branches). The content of the training involved management training, business training, general skills training for employees, and professional skills training, etc.

In order to improve the professional quality of employees in all aspects, the Company launched and developed the courses for key positions in three main business areas covering wealth management, investment banking, and research and analysis. At the same time, in order to better precipitate its endogenous resources, the Company has completed the evaluation and employment of the first batch of internal trainers to promote the establishment of learning organizations.

(iv) Labor outsourcing

Total working hours outsourced:	256,637 working hours
Total remuneration paid for labor outsourcing:	RMB11,646,021.68

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 review, registration, business training, performance appraisal, risk control etc. The Company's securities branch is responsible for the daily management of brokers. As at the End of the Reporting Period, there were 939 brokers working for the Company.

SECTION IX CORPORATE GOVERNANCE REPORT

I. INFORMATION ON CORPORATE GOVERNANCE

(i) Overview of corporate governance

The Company strictly conforms to the requirements of the laws, regulations and regulatory documents of the jurisdictions where the Company is listed, 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, 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 processes 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 Company generally satisfies the relevant requirements of scientific, stringent and standardized governance.

During the Reporting Period, the Company was in strict compliance with the CG Code, complied with all code provisions other than code provision A.4.2, and met the requirements of most recommended best practice provisions set out in the CG Code. Under code provision A.4.2 of the CG Code, each director shall retire by rotation at least once every three years. From June 2015 to June 2018, the term of the third session of the Board and the Supervisory Committee has exceeded three years. In accordance with the Articles of Association, members of the current session of the Board and the Supervisory Committee shall continue to perform duties until the establishment of the next session of the Board and the Supervisory Committee. As the nomination of candidates for the Directors and the Supervisors of the fourth session of the Board and the Supervisory Committee has not been completed, and the election process of the Board and the Supervisory Committee is still in preparation, in order to ensure the continuity of the work of the Board and the Supervisory Committee, the election of the fourth session of the Board and the Supervisory Committee will be postponed. On 10 February 2021, the “Proposal for Recommending the Candidates for Directors of the Fourth Session of the Board” was considered and approved on an individual basis at the 65th meeting (extraordinary) of the third session of the Board of Directors of the Company. On the same day, the “Proposal for Recommending the Candidates for Supervisors of the Fourth Session of the Supervisory Committee” was considered and approved on an individual basis at the first extraordinary meeting of the third session of the Supervisory Committee of the Company in 2021. The Company shall submit the above nominations to the general meeting of shareholders for approval in accordance with legal procedures.

(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.

SECTION IX CORPORATE GOVERNANCE REPORT

(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;
- (e) to review the Company's compliance with the code provisions and the disclosure in the "Corporate Governance Report".

Details of the performance of duties by the Board and its special committees during the Reporting Period are set out in "III. Board Meetings and Performance of Duties by Directors" and "IV. Composition and Operation of Special Committees Under the Board" of this section.

II. INTRODUCTION TO GENERAL MEETINGS

Session of meeting	Date of the meeting	Index for websites on which resolutions were published	Date of publication of resolutions
2019 annual general meeting	29 June 2020	http://www.sse.com.cn http://www.hkexnews.hk http://www.chinastock.com.cn	29 June 2020
2020 first A Share class meeting	29 June 2020	http://www.sse.com.cn http://www.hkexnews.hk http://www.chinastock.com.cn	29 June 2020
2020 first H Share class meeting	29 June 2020	http://www.sse.com.cn http://www.hkexnews.hk http://www.chinastock.com.cn	29 June 2020

DESCRIPTION OF GENERAL MEETINGS

As the supreme authority of the Company, the general meeting of the Company exercises its powers 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 status 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:

SECTION IX CORPORATE GOVERNANCE REPORT

1. On 29 June 2020, the 2019 annual general meeting was held, at which the “Work Report of the Board of Directors for 2019”, the “Work Report of the Supervisory Committee for 2019”, the “Proposal for Reviewing the 2019 Annual Report of the Company”, the “Proposal for Reviewing the Final Accounts Plan of the Company for 2019”, the “Proposal for Reviewing the Profit Distribution Plan of the Company for 2019”, the “Proposal for Reviewing Capital Expenditure Budget of the Company for 2020”, the “Proposal on Appointment of the External Auditing Firms of the Company for 2020”, the “Proposal for Reviewing the Remuneration Settlement Plan of Mr. Chen Gongyan in 2018”, the “Proposal for Reviewing the Remuneration Settlement Plan of Ms. Chen Jing in 2018”, the “Proposal for Reviewing the Remuneration Settlement Plan of Former Full-time Supervisor Mr. Zhong Cheng for the First Half of 2018”, the “Proposal on Requesting the General Meeting of Shareholders to Elect Mr. Law Cheuk Kin, Stephen as an Independent Director of the Third Session of the Board of Directors”, the “Proposal on Matters Related to the Application for Issuance of Perpetual Subordinated Bonds”, and the “Proposal for the General Mandate to Issue Shares” were reviewed and approved; the “Proposal on Revising the Rules of Procedure of the General Meeting of Shareholders”, the “Proposal on Revising the Rules of Procedure of the Board of Directors”, the “Proposal on Revising the Rules of Procedure of the Supervisory Committee”, the “Proposal on Revising the Working Rules for Independent Directors”, the “Proposal on Revising the Measures for the Administration of Connected Transactions”, the “Proposal on Revising the Measures for the Administration of Foreign Investment”, the “Proposal on Revising the Measures for the Administration of External Guarantees”, and the “Proposal on Revising the Articles of Association” were not approved; and the “2019 Duty Performance Report of Independent Directors” was heard.
2. On 29 June 2020, the 2020 first A Share class meeting was held, at which the “Proposal on Revising Certain Provisions of the Rules of Procedure of the General Meeting of Shareholders” and the “Proposal on Revising Certain Provisions of the Articles of Association” were not approved.
3. On 29 June 2020, the 2020 first H Share class meeting was held, at which the “Proposal on Revising Certain Provisions of the Rules of Procedure of the General Meeting of Shareholders” and the “Proposal on Revising Certain Provisions of the Articles of Association” were approved.

SECTION IX CORPORATE GOVERNANCE REPORT

III. BOARD MEETINGS AND PERFORMANCE OF DUTIES BY DIRECTORS

(i) Composition of the Board of Directors

The Board will constantly modify the rules of procedure of the Board of Directors, and exert its professional advantage as a special committee to further improve its decision-making efficiency and standard. 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 8 Directors, including 2 executive Directors (Mr. Chen Gongyan and Mr. Chen Liang), 2 non-executive Directors (Mr. Liu Dingping, and Ms. Xiao Lihong) and 4 independent non-executive Directors (Mr. Liu Ruizhong, Mr. Wang Zhenjun, Ms. Liu Chun and Mr. Law Cheuk Kin, Stephen), among which the number of independent Directors accounts for no less than one-third of the number of Directors. Mr. Chen Gongyan is the chairman of the Board of the Company and Mr. Chen Liang is the president of the Company. There is no relation (including financial, business, family 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 shown in the section headed “Section VIII Directors, Supervisors, Senior Management and Staff – IV. Changes in Directors, Supervisors and Senior Management”.

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 it 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 general meeting, the Company has purchased liability insurance for Directors, Supervisors and senior management to control the legal and regulatory risks which the Directors, Supervisors and senior management may encounter during the performance of their duties and to further encourage them to perform their duties fully and diligently.

SECTION IX CORPORATE GOVERNANCE REPORT

(ii) Attendance of Directors at Board meetings and general meetings during the Reporting Period

Name of Directors	Independent Director	Attendance at Board meetings					Absence from two consecutive meetings in person	Attendance at general meetings
		Required Attendance during the year	Attendance in person	Attendance by communication	Attendance by proxy	Absence		
Chen Gongyan	No	9	9	1	0	0	No	3
Chen Liang	No	8	8	1	0	0	No	3
Liu Dingping	No	8	8	1	0	0	No	3
Xiao Lihong	No	8	8	1	0	0	No	3
Zhang Tianli (resigned during the Reporting Period)	No	6	6	1	0	0	No	3
Liu Ruizhong	Yes	9	9	1	0	0	No	3
Wang Zhenjun	Yes	9	9	1	0	0	No	3
Liu Chun	Yes	9	9	1	0	0	No	3
Law Cheuk King, Stephan (appointed during the Reporting Period)	Yes	6	5	1	0	1 ^(Note)	No	0
Wang Zelan (resigned during the Reporting Period)	No	7	7	1	0	0	No	3

Note: On 5 December 2020, Mr. Law Cheuk Kin, Stephen, an independent Director with the Chinese nationality (Hong Kong), did not attend the 6th non-executive Director meeting of the third session of the Board of Directors held in Fuzhou due to the impact of the COVID-19 pandemic.

Number of Board meetings held during the year	9
Of which:	
Number of meetings held via communication	1
Number of meetings held by way of combination of both	8

SECTION IX CORPORATE GOVERNANCE REPORT

(iii) Operation of the Board

The Board performs its duties in accordance with the relevant regulations and the requirements of the Articles of Association and the Rules of Procedure of the Board of Directors. During the Reporting Period, the Company held 9 Board meetings through communication tool or a combination of on-site meeting and communication tool, details of which are as follows:

- (1) On 27 March 2020, the 57th meeting (regular) of the third session of the Board of the Company was held, at which the “Proposal for Reviewing the Final Accounts Plan for 2019”, the “Proposal for Reviewing the Profit Distribution Plan for 2019”, the “Proposal for Reviewing the Compliance Report for 2019”, the “Proposal for Reviewing the Rectification Plan on Issues Identified in the Anti-money Laundering Supervision and Visit of People’s Bank of China”, the “Proposal for Reviewing the Risk Management Report for 2019”, the “Proposal for Reviewing the Internal Control Evaluation Report for 2019”, the “Proposal for Reviewing the Annual Report for 2019”, the “Proposal for Reviewing the Social Responsibility & Environmental, Social and Governance Report for 2019”, the “Management’s Work Report for 2019”, the “Work Report of the Board for 2019”, the “Duty Performance Report of the Audit Committee of the Board for 2019”, the “Duty Performance Report of Independent Directors for 2019”, the “Proposal on Appointment of the External Auditing Firms of the Company for 2020”, the “Proposal for Work Plan for 2020”, the “Proposal on Capital Expenditure Budget for 2020”, the “Proposal for Reviewing the Amendments to the Major Accounting Policies and Accounting Estimates”, the “Proposal for Reviewing the Plan of the Poverty Alleviation Funds for 2020”, the “Proposal for the General Mandate to Issue Shares”, the “Proposal for Convening the General Meeting for 2019”, and the “Proposal for Recommending Mr. Law Cheuk Kin, Stephen as the Candidate for the Independent Director of the Company” were considered and approved; and the “Report on the Anti-Money Laundering Work for 2019”, the “Report on the Self-Assessment of Money Laundering Risks for 2019”, the “Report on the Integrity Management for 2019”, the “Duty Performance Report of the Strategy and Development Committee for 2019”, the “Duty Performance Report of the Nomination and Remuneration Committee for 2019”, the “Duty Performance Report of the Compliance and Risk Management Committee for 2019” and the “Report on the Progress of the Construction of Operating Housing Projects of the Company for 2019” were heard.
- (2) On 27 April 2020, the 58th meeting (regular) of the third session of the Board of the Company was held, at which the “Proposal for Reviewing the Work Report of the Company for the First Quarter of 2020”, the “Proposal on Revising the Articles of Association”, the “Proposal on Revising the Rules of Procedure of the General Meeting of Shareholders”, the “Proposal on Revising the Rules of Procedure of the Board of Directors”, the “Proposal on Revising the Rules of Procedure of the Strategy and Development Committee of the Board of Directors”, the “Proposal on Revising the Rules of Procedure of the Compliance and Risk Management Committee of the Board of Directors”, the “Proposal on Revising the Rules of Procedure of the Nomination and Remuneration Committee of the Board of Directors”, the “Proposal on Revising the Rules of Procedure of the Audit Committee of the Board of Directors”, the “Proposal on Revising the Working Rules for Independent Directors”, the “Proposal on Revising the Working Rules for the Secretary of the Board of Directors”, the “Proposal on Revising the Rules for the Implementation of the Work of Press Spokesperson”, the “Proposal on Revising the Measures for the Administration of Connected Transactions”, the “Proposal on Revising the Measures for the Administration of Foreign Investment”, the “Proposal on Revising the Measures for the Administration of External Guarantees”, the “Proposal on Matters Related to the Application for Issuance of Perpetual Subordinated Bonds”, the “Proposal on Convening the First A Share Class Meeting and the First H Share Class Meeting for 2020” were considered and approved; and the report on the operation for the first quarter of 2020 and the “Report on the Company’s Intention to Lease Business Premises in Lize Financial Business District” were heard.

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- (3) On 29 June 2020, the 59th meeting (extraordinary) of the third session of the Board of the Company was held, at which the “Proposal for Reviewing the Appointment of Mr. Law Cheuk Kin, Stephen as a Member of the Nomination and Remuneration Committee and the Audit Committee of the Board” was considered and approved.
- (4) On 14 August 2020, the 60th meeting (extraordinary) of the third session of the Board of the Company was held, at which the “Proposal for Reviewing the Provisions on the Integrity of the Company (2020 Revision)”, the “Proposal for Reviewing the Company’s Public Transfer of Creditor’s Rights for the Customers’ Stock Pledge Project”, the “Proposal for Reviewing the Appointment of Mr. Wu Jianhui as the Chief Risk Officer of the Company”, the “Proposal for Reviewing the Appointment of Mr. Ke Suchun as the Securities Affairs Representative of the Company”, the “Proposal for Reviewing the Special Report of Management of Information Technology in 2019” were considered and approved; and the “Report on Evaluation of the Implementation Results of IT Three-Year (2017-2019) Development Plan” was heard.
- (5) On 28 August 2020, the 61st meeting (regular) of the third session of the Board of the Company was held, at which the “Proposal for Reviewing the Interim Report for 2020”, the “Proposal for Reviewing Interim Compliance Report for 2020”, the “Proposal on Signing the Lease Agreement of Business Premises between the Company and Galaxy Investment”, the “Proposal for Reviewing the Information Technology (2020-2022) Development Plan”, the “Proposal on Requesting the Board of Directors to Review the Assessment Results of the Compliance Director in 2019” were considered and approved; and the report on the operation for the first half of 2020 and the “Report on the Progress of the Construction of Operating Housing Projects of the Company for the First Half of 2020” were heard.
- (6) On 22 September 2020, the 62th meeting (extraordinary) of the third session of the Board of the Company was held, at which the “Proposal for Recommending Mr. Yang Tijun as the Candidate for Director of the Company” was considered and approved.
- (7) On 30 October 2020, the 63th meeting (regular) of the third session of the Board of the Company was held, at which the “Proposal for Reviewing the Report for the Third Quarter of 2020” was considered and approved; and the report on the operation of the Company for the third quarter of 2020 was heard.
- (8) On 5 December 2020, the 6th independent non-executive Directors meeting of the third session of the Board of the Company was held to communicate and exchange views on matters related to the construction of the Board of Directors and the operation and management of the Company.
- (9) On 25 December 2020, the 64th meeting (extraordinary) of the third session of the Board of the Company was held, at which the “Proposal for Reviewing the Remuneration Settlement Plan of Senior Management for 2019”, the “Proposal for Reviewing the Capital Increase in Galaxy Futures”, the “Proposal for Reviewing the Comprehensive Risk Management System (2020 Revision)”, the “Proposal for Reviewing the Measures for the Management of Group Risk Appetite” and the “Proposal for Reviewing the Group Risk Appetite”, were considered and approved; and the “Report on the Assessment Goals of the Board of Director for 2020”, the “Report on the Establishment of ESG Working Group” and the “Report on the Implementation of Investment Projects” were heard.

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

Nil

(v) Term of office of non-executive Directors

Currently, the Company has 2 non-executive Directors and 4 independent non-executive Directors, all of whom 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 various internal control systems of the Company.

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 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. During the Reporting Period, the president was in charge of the operational management of the Company, organized the implementation of resolutions of the Board and reported to the Board.

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(vii) Training for Directors

No.	Date of training	Main content	Directors who attended the meeting
1	6 March 2020	Interpretation of the revised contents of the new Securities Law and relevant regulatory requirements of the SSE	Chen Gongyan, Chen Liang, Liu Dingping, Xiao Lihong, Zhang Tianli, Liu Ruizhong, Wang Zhenjun, Liu Chun, Wang Zelan
2	22 to 24 April 2020	“The 70th Qualification Training of Independent Directors” held by the SSE	Law Cheuk Kin, Stephen
3	19 May 2020	“The First Session of Special Training Courses for Directors and Supervisors in 2020 for Listed Company in Beijing” held by the CSRC Beijing Bureau	Xiao Lihong
4	27 May 2020	Special training on “Governance Rules and Recent Changes in A and H Shares”	Chen Gongyan, Chen Liang, Liu Dingping, Xiao Lihong, Zhang Tianli, Liu Ruizhong, Wang Zhenjun, Liu Chun, Wang Zelan
5	2 June 2020	“The Second Session of Special Training Courses for Directors and Supervisors in 2020 for Listed Company in Beijing” held by the CSRC Beijing Bureau	Xiao Lihong
6	1 July 2020	“The Third Session of Special Training Courses for Directors and Supervisors in 2020 for Listed Company in Beijing” held by the CSRC Beijing Bureau	Chen Liang
7	22 July 2020	“Special Training on Securities Law for Listed Companies in Beijing” held by the CSRC Beijing Bureau	Chen Liang
8	18 to 19 August 2020	“The 2nd Follow-up Training Program for Independent Directors for 2020” organized by the SSE	Liu Ruizhong, Wang Zhenjun, Liu Chun
9	16 to 18 September 2020	“Advanced Seminar for Directors and Supervisors of the Companies Listed inside and outside of China” organized by the HKICS	Liu Dingping
10	30 December 2020	Special training of “ Updates on HKEx ESG Reporting Guide”	Chen Gongyan, Chen Liang, Liu Dingping, Xiao Lihong, Liu Ruizhong, Wang Zhenjun, Liu Chun, Law Cheuk Kin, Stephen

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IV. COMPOSITION AND OPERATION OF SPECIAL COMMITTEES UNDER THE BOARD

The Strategy and Development Committee, the Compliance and Risk Management Committee, the Nomination and Remuneration Committee and the Audit Committee have been established under the Board. The Committees shall assist with the work of the Board within the terms of reference specified in the rules of procedure, be accountable to and report their work to the Board. At the End of the Reporting Period, the composition of each special committee under the Board is as follows:

Name of special committee	Chairman	Member
Strategy and Development Committee	Chen Gongyan (Executive Director)	Executive Director: Chen Liang Non-executive Directors: Liu Dingping, Xiao Lihong Independent non-executive Directors: Liu Ruizhong, Wang Zhenjun
Compliance and Risk Management Committee	Liu Dingping (Non-executive Director)	Executive Director: Chen Liang Non-executive Director: Xiao Lihong Independent non-executive Directors: Wang Zhenjun, Liu Chun
Nomination and Remuneration Committee	Liu Ruizhong (Independent Non-executive Director)	Non-executive Director: Liu Dingping Independent non-executive Directors: Wang Zhenjun, Liu Chun, Law Cheuk Kin, Stephen
Audit Committee	Liu Chun (Independent Non-executive Director)	Independent Non-executive Directors: Liu Ruizhong, Wang Zhenjun, Law Cheuk Kin, Stephen

Notes:

1. Mr. Law Cheuk Kin, Stephen has been appointed as an independent non-executive Director of the Company since 29 June 2020 and appointed as a member of the Nomination and Remuneration Committee and the Audit Committee of the Board.
2. Mr. Zhang Tianli resigned as a Director of the Company on 22 September 2020 and ceased to act as a member of each of the Strategy and Development Committee, the Compliance and Risk Management Committee and the Audit Committee of the Board.
3. Ms. Wang Zailan resigned as a non-executive Director of the Company on 24 December 2020 and ceased to act as a member of the Compliance and Risk Management Committee of the Board.

(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 to deal with 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 6 meetings, at which in-depth studies and deliberation of significant matters were conducted in respect of the Company's profit distribution plan, general mandate to issue shares, the work plan for 2020 and the poverty alleviation fund plan for 2020 and the relevant 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 17 March 2020, the 21st meeting of the Strategy and Development Committee under the third session of the Board of the Company was held, at which the "Proposal for Reviewing the Profit Distribution Plan for 2019", the "Proposal for the Work Plan for 2020", the "Proposal for the Capital Expenditure Budget for 2020", the "Proposal for Reviewing the Poverty Alleviation Fund Plan for 2020", the "Proposal on General Mandate to Issue Shares" and the "Work Report of the Board for 2019" were preliminarily reviewed and approved for submission to the Board for review; and the "Duty Performance Report of the Strategy and Development Committee of the Board for 2019" was considered and approved.
- (2) On 24 April 2020, the 22nd meeting of the Strategy and Development Committee under the third session of the Board of the Company was held, at which 13 draft amendments to the governance system including the Articles of Association, the proposal on matters related to the issuance of convertible bonds, and the "Proposal on Matters Related to the Application for the Issuance of Perpetual Subordinated Bonds" were preliminarily reviewed and approved for submission to the Board for review.

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- (3) On 24 June 2020, the 23rd meeting of the Strategy and Development Committee under the third session of the Board of the Company was held, at which matters related to the amendments to five governance systems including the Articles of Association were preliminarily reviewed and approved for submission to the Board for review.
- (4) On 12 August 2020, the 24th meeting of the Strategy and Development Committee under the third session of the Board of the Company was held, at which the “Proposal for Reviewing the Special Report on Information Technology Management in 2019” and the “Report on Evaluation of Implementation Results of IT Three-year (2017-2019) Development Plan” were preliminarily reviewed and approved for submission to the Board for review.
- (5) On 20 August 2020, the 25th meeting of the Strategy and Development Committee under the third session of the Board of the Company was held, at which the “Proposal for Reviewing the Development Plan of Information Technology (2020-2022)” was preliminarily reviewed and approved for submission to the Board for review.
- (6) On 24 December 2020, the 26th meeting of the Strategy and Development Committee under the third session of the Board of the Company was held, at which the “Proposal for Reviewing the Capital Increase in Galaxy Futures” was 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
Chen Gongyan	6	6
Chen Liang	6	6
Liu Dingping	6	6
Xiao Lihong	6	6
Zhang Tianli (resigned during the Reporting Period)	5	5
Liu Ruizhong	6	6
Wang Zhenjun	6	6

(ii) Compliance and Risk Management Committee

1. *Functions of the Committee*

The main duties and responsibilities of the Compliance and 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 their implementation, to review and monitor the Company's policies regarding compliance with laws and regulatory rules as well as their 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 to deal with other matters authorized by the Board. For the specific duties and responsibilities of the Compliance and Risk Management Committee, please refer to the "Rules of Procedure of the Compliance and 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 Compliance and Risk Management Committee convened 6 meetings and preliminarily reviewed the annual compliance report, the report of risk management and anti-money laundering work report, and heard special reports including the report on the special stress test for the COVID-19 pandemic of the Company in 2020, the risk investigation and analysis report of bond investment of the Company and the report on the risks of Galaxy International Holdings (including CGS-CIMB Securities). The Committee effectively assisted the Board in carrying out its work and provided professional support for the Board in its decision-making.

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

- (1) On 17 March 2020, the 18th meeting of the Compliance and Risk Management Committee under the third session of the Board was held, at which the "Proposal for Reviewing the Compliance Report for 2019", the "Proposal for Reviewing the Rectification Plan on Issues Identified in the Anti-money Laundering Supervision and Visit of People's Bank of China", the "Proposal for Reviewing the Risk Management Report for 2019", the "Report on Anti-money Laundering Work for 2019", the "Report on the Self-assessment of Money Laundering Risks for 2019", the "Report on the Integrity Management for 2019" were preliminarily reviewed and approved for submission to the Board for review; and the "Duty Performance Report of the Compliance and Risk Management Committee of the Board for 2019" was considered and approved.
- (2) On 3 April 2020, the 19th meeting of the Compliance and Risk Management Committee under the third session of the Board was held, at which the "Report on the Special Stress Test for the COVID-19 Pandemic in 2020", the "Risk Investigation and Analysis Report of Bond Investment of the Company", the "Report on the Risks of Galaxy International Holdings (including CGS-CIMB Securities)", the "Report on Participation in the Pilot Work of Consolidated Supervision" and the "Vertical Risk Management Status and Planning of CGS-CIMB Securities" were heard.

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- (3) On 12 May 2020, the 20th meeting of the Compliance and Risk Management Committee under the third session of the Board was held, at which the report on the revision and establishment of the Group Risk Appetite, the report on the revision of the Company's risk limits in 2020, and the summary report on the consolidated supervision work in the first quarter of 2020 were heard.
- (4) On 12 August 2020, the 21st meeting of the Compliance and Risk Management Committee under the third session of the Board was held, at which the "Proposal for Reviewing the Provisions on Integrity (2020 Revision)", the "Proposal Reviewing the Company's Public Transfer of Creditor's Rights for the Customers' Stock Pledge Project", and the "Instructions on Requesting the Compliance and Risk Management Committee under the Board to Examine and Approve the Scoring Results of Compliance Special Assessment of the Compliance Officer" were preliminarily reviewed and approved for submission to the Board for review.
- (5) On 20 August 2020, the 22nd meeting of the Compliance and Risk Management Committee under the third session of the Board was held, at which the "Proposal for Reviewing the Interim Compliance Report for 2020" was preliminarily reviewed and approved for submission to the Board for review.
- (6) On 24 December 2020, the 23rd meeting of the Compliance and Risk Management Committee under the third session of the Board was held, at which the "Proposal for Reviewing the Comprehensive Risk Management System (2020 Revision)" was 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
Chen Liang	6	5
Liu Dingping	6	6
Xiao Lihong	6	6
Zhang Tianli (resigned during the Reporting Period)	5	5
Wang Zhenjun	6	6
Liu Chun	6	6
Wang Zelan (resigned during the Reporting Period)	5	5

(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 deputy 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 procedures 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 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 to deal with other matters 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 of the Hong Kong Stock Exchange.

2. *Work summaries and meetings of the Committee*

During the Reporting Period, the Nomination and Remuneration Committee convened 6 meetings, at which the Committee mainly discussed and studied the remuneration and settlement 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.

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

- (1) On 17 March 2020, the 24th 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 of the Board for 2019" was reviewed and approved and the matters related to the recommendation of Mr. Law Cheuk Kin, Stephen as a candidate for Independent Director of the Company were discussed.
- (2) On 24 June 2020, the 25th meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the "Proposal for Reviewing the Appointment of Mr. Law Cheuk Kin, Stephen as a Member of the Nomination and Remuneration Committee and the Audit Committee of the Board" was preliminarily reviewed and approved for submission to the Board for review.

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- (3) On 29 June 2020, the 26th meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the Committee reviewed the qualification and condition of Mr. Wu Jianhui to serve as the Chief Risk Officer of the Company.
- (4) On 12 August 2020, the 27th 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. Ke Suchun as the Securities Affair Representative of the Company” was preliminarily reviewed and approved for submission to the Board for review.
- (5) On 21 September 2020, the 28th meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the “Proposal for Recommending Mr. Yang Tijun as the Candidate for Director of the Company” was preliminarily reviewed and approved for submission to the Board for review.
- (6) On 24 December 2020, the 29th meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the “Proposal for Reviewing the Remuneration Settlement Plan of Senior Management for 2019” was preliminarily reviewed and approved for submission to the Board for review, and the “Report on the Board’s Assessment Objectives for 2020” was approved and reported to the Board.

3. Attendance of members at meetings

Name of members	Required attendance at meetings	Actual attendance
Liu Ruizhong	6	6
Liu Dingping	6	6
Wang Zhenjun	6	6
Liu Chun	6	6
Law Cheuk Kin, Stephen (appointed during the Reporting Period)	3	3

(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 to deal with other matters 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 of the Hong Kong Stock Exchange.

2. *Work summaries and meetings of the Committee*

The Audit Committee held a total of 6 meetings, at which the Committee mainly studied and reviewed matters such as the annual report for 2019 and the interim report for 2020, the internal control self-assessment report for 2019, the environmental, social and governance report for 2019 and the quarterly reports of the Company; and listened to the report on the progress of external audit and audit results from the accountancy firm and the report on the information work of connected parties for each quarter. The Audit Committee inspects and guides internal audit and internal control evaluation in accordance with its duties and requirements, and plays a positive role in further improving the Company's internal control level. At the same time, the Audit Committee actively promotes the implementation of the rectification measures in the management proposal of the audit institution to ensure that the audit function is effectively implemented.

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

- (1) On 2 March 2020, the 35th 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 Fourth Quarter of 2019" was considered and approved.
- (2) On 17 March 2020, the 36th meeting of the Audit Committee under the third session of the Board was held, at which the "Proposal for Reviewing the Final Accounts Plan for 2019", the "Proposal for Reviewing the Annual Report for 2019", the "Proposal for Reviewing the Social Responsibility & Environmental, Social and Governance Report for 2019", the "Proposal for Reviewing the Amendments to the Major Accounting Policies and Accounting Estimates", the "Proposal for Reviewing the Internal Control Assessment Report for 2019", the "Duty Performance Report of the Audit Committee of the Board for 2019", and the "Instruction on the Appointment of the External Auditing Firms of the Company for 2020" were preliminarily reviewed and approved for submission to the Board for review; the "Audit Report on Anti-money Laundering Management and Tracking of the Company", the "Proposal for the Appointment of the External Auditing Firms of the Company for 2020" and the "Report on Compliance Management Effectiveness Assessment of the Company for 2019" were considered and approved; and the report of external auditors on the annual audit work for 2019 was heard.

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- (3) On 24 April 2020, the 37th 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 the Company for 2020” was preliminarily reviewed and approved for submission to the Board for review; the “Report on the Information Work of Connected Parties in the First Quarter of 2020”, the “Proposal on the Revision of the Implementation Rules for the Management of Connected Transactions” and the “Instructions on the Re-appointment of Intermediaries to Complete the Audit on Branches in 2020” were considered and approved.
- (4) On 20 August 2020, the 38th meeting of the Audit Committee under the third session of the Board was held, at which the “Proposal for Reviewing the Interim Report for 2020” and the “Proposal on Signing the Business Premises Lease Agreement with Galaxy Investment” were preliminarily reviewed and approved for submission to the Board for review; and the “Report on the Information Work of Connected Parties in the Second Quarter of 2020” and the “Management Proposal for 2019” were considered and approved.
- (5) On 27 October 2020, the 39th meeting of the Audit Committee under the third session of the Board was held, at which the “Proposal for Reviewing the Third Quarterly Report for 2020” was preliminarily reviewed and approved for submission to the Board for review; and the “Report on the Information Work of Connected Parties in the Third Quarter of 2020” was considered and approved.
- (6) On 24 December 2020, the 40th meeting of the Audit Committee under the third session of the Board was held, at which the “Instruction on the Establishment of ESG Working Group” and the “Implementation Plan of Internal Control Evaluation and Compliance Management Effectiveness Assessment for 2020” were considered and approved.

3. Attendance of members at meetings

Name of members	Required attendance at meetings	Actual attendance
Liu Chun	6	6
Zhang Tianli (resigned during the Reporting Period)	4	3
Liu Ruizhong	6	6
Wang Zhenjun	6	6
Law Cheuk Kin, Stephen (appointed during the Reporting Period)	3	3

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 4 meetings in 2020, details of the meetings are as follows:

1. On 27 March 2020, the “Work Report of the Supervisory Committee for 2019”, the “Measures for Auditing the Economic Liabilities (Outgoing) of Senior Management”, the “Proposal on Adjusting the Composition of the Performance Monitoring Committee and the Financial Monitoring Committee of the Supervisory Committee”, the “Annual Report for 2019”, the “Final Accounts Plan for 2019”, the “Profit Distribution Plan for 2019”, the “Proposal for Reviewing the Amendments to the Major Accounting Policies and Accounting Estimates”, the “Compliance Report for 2019”, the “Risk Management Report for 2019”, the “Internal Control Assessment Report for 2019”, and the “Social Responsibility & Environmental, Social and Governance Report for 2019” were considered and approved at the 2020 first regular meeting of the third session of the Supervisory Committee.
2. On 28 April 2020, the “Proposal on Revising the Articles of Association”, the “Proposal on Revising the Rules of Procedure of the Supervisory Committee” and the “Proposal for Reviewing the First Quarterly Report for 2020” were considered and approved at the 2020 first extraordinary meeting of the third session of the Supervisory Committee.
3. On 28 August 2020, the “Proposal for Reviewing the Interim Report for 2020” and the “Proposal on the Review Opinions of Connected Transactions in Relation to the Business Premises Lease Agreement between the Company and Galaxy Investment” were considered and approved at the 2020 second regular meeting of the third session of the Supervisory Committee.
4. On 30 October 2020, the “Proposal for Reviewing the Third Quarterly Report for 2020” was considered and approved at the 2020 second extraordinary meeting of the third session of the Supervisory Committee.

SECTION IX CORPORATE GOVERNANCE REPORT

(ii) Attendance of Supervisors at meetings during the Reporting Period

Name of Supervisors	Position	Required attendance during the year	Actual attendance	Of which		
				On-site attendance	Attendance by telephone	Attendance by proxy
Chen Jing	Chairman of the Supervisory Committee	4	4	4	0	0
Tao Libin	External Supervisor	4	4	3	1	0
Fang Yan	External Supervisor	4	4	1	2	1
Chen Jijiang	Employee Supervisor	4	4	4	0	0
Fan Minfei	Employee Supervisor	4	4	4	0	0
Number of Supervisory Committee meetings convened during the year					4	
Of which					2	
On-site attendance meetings held					2	
On-site and telephone attendance meetings held					2	

(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 significant risk matters on the Company. The Company has treated the general risk matters identified and made relevant disclosures in accordance with the corresponding procedures.

SECTION IX CORPORATE GOVERNANCE REPORT

(iv) Supervisor trainings

Date of training	Training contents	Training participants
1 July 2020	The Third Session of Special Training Courses for Directors and Supervisors in 2020 for Listed Company in Beijing	Chen Jing, Tao Libin, Fang Yan, Chen Jijiang, Fan Minfei
8 July 2020	The Forth Session of Special Training Courses for Directors and Supervisors in 2020 for Listed Company in Beijing	Chen Jing, Tao Libin, Fang Yan, Chen Jijiang, Fan Minfei
17 July 2020	Training of the Shanghai Stock Exchange on Supervision Situation and Related Work of Main Board Company of Shanghai Stock Exchange in the Second Quarter of 2020	Chen Jing, Tao Libin, Fang Yan, Chen Jijiang, Fan Minfei
4 September 2020	Special Training on "Interpretation of Essentials of the New Securities Law" by Securities Association of China	Chen Jing
18 September 2020	The Sixth Session of Special Training Courses for Directors and Supervisors in 2020 for Listed Company in Beijing	Chen Jing
22 September 2020	The First Session of Training Courses for the Chairman of the Supervisory Board of the China Association of Public Companies	Chen Jing
30 October 2020	Training of the Shanghai Stock Exchange on Supervision Situation and Related Work of Main Board Company of Shanghai Stock Exchange in the Third Quarter of 2020	Chen Jing, Tao Libin, Fang Yan, Chen Jijiang, Fan Minfei
17 December 2020	The 11th Session of Special Training Courses for Directors and Supervisors in 2020 for Listed Company in Beijing	Chen Jing

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.

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 the Performance of Operation Management Members" and the "Provisional Management Measures for Remuneration of Senior Management Members" of the Company, 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.

SECTION IX CORPORATE GOVERNANCE REPORT

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.

Internal control can only provide reasonable guarantee for achieving the above objectives due to its inherent limitations; moreover, the effectiveness of internal control may also change in response to the change in the internal and external environment and business conditions of the Company.

The Board has completed an evaluation on the internal controls of the Group according to the requirements 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 2020), 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 Group has maintained, in all material respects, effective internal control in accordance with the system of the internal control norms for enterprises and the relevant provisions.

The Board will further improve the environment and structure of internal control of the Company to enable them to provide the guarantee for the operation decision-making and stable development of the Group. With the gradual deepening of the national laws and regulations and the continuous development of the Group's business, the Company will further improve and perfect the internal control mechanism to gradually improve and constantly enhance the standard of corporate governance.

(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 the Shanghai Stock Exchange" issued by the SSE, the Group 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 management organization with qualified financial accounting professionals, establishing completed financial accounting management system, and adopting appropriate accounting policies and reasonable accounting estimates, the Group has ensured that the financial statements prepared by it 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.

SECTION IX CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Group 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 over financial accounting 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 Group has continually committed to the construction of internal control management system since its establishment. Under the “Basic Internal Control Norms for Enterprises” and the “Guidelines for Internal Control of Securities Companies”, the Group continued to improve the internal control system and applied it throughout the operational development of the Company.

During the Reporting Period, based on the “Strategic Planning of Internal Control System Construction and Development of the Company”, the Group advanced and actively forged, by simultaneously carrying on measures, internal control concepts featuring the principles of “never touching the red line, never stepping on the gray zone, never playing edge ball and pursuing liabilities for violation of disciplines and regulations”, and the premise of mastering business, the criterion of practice norms, and the bottom line of regulatory requirements and the purpose of steady development. It has firmly established internal control concept of “standardized operation and steady development” among all the employees of the Company. The Group comprehensively sorted out various internal management systems, and promoted the system of “abolition and reform at the same time” by batches. The Group also optimized and perfected the systems in terms of the system level definition, the improvement of system and institution regulation and system’s enforceability; it carried out the publicity and education activities for the construction of the internal control system of “strengthening the ‘three lines of defense’ and enhancing the effectiveness of internal control”, as well as enhanced the awareness of internal control and risk among all staff of the Group, and gradually improved the internal control management level and risk prevention ability of the Group. In addition, it actively implemented the requirements for full coverage of compliance management, risk management and audit supervision and for the penetration management, reinforced the penetration management over subsidiaries, and improved the overall internal control and risk management effectiveness of the Group. It also established “1+5+N” internal control synergy mechanism, and strengthened the information sharing and synergy among special supervision departments, so as to promote the coordination and optimization of constructing internal control system.

As of the End of the Reporting Period, the Group has established an internal control system that is compatible with the nature, scale and complexity of the Company’s business. It can reasonably guarantee the legality and compliance of the Company’s operation and management, asset security, financial report and related information, and improve operational efficiency and effectiveness. The Company has established relevant rules including the comprehensive administrative measures for Chinese walls and the insider registration system in accordance with regulatory requirements to strengthen the management of sensitive information and persons with inside information, strictly comply with business restrictions and effectively prevent inappropriate use and dissemination of sensitive information. In addition, the Group has also established the material information internal reporting and public disclosure systems in accordance with laws and regulations, the listing rules for Shanghai and Hong Kong and the Articles of Association to set out clear responsibilities and procedures for significant information reporting and disclosure, and material mistake accountability system, in order to ensure the information disclosed is true, accurate and complete and that all stakeholders of the Group have equal access to relevant information of the Company in a timely manner.

SECTION IX CORPORATE GOVERNANCE REPORT

(iv) Evaluation of the effectiveness of internal control

The Group has a mechanism for internal control governance. The audit department of the Company conducts audit on the revenue and expenditure of the main operating units of the Group and their operations and organizes a self-evaluation on the effectiveness of the Company's internal control system annually in accordance with the annual audit plan approved by the Audit Committee of the Board. If deficiencies in internal control are identified, the Company will promptly adopt rectification measures.

The Group has carried a self-evaluation on the effectiveness of internal control during the year. According to the identification standards for defects in internal control over financial reporting and non-financial reporting, as at the reference date of internal control assessment (as at 31 December 2020), 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.

The Board understands that the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has reviewed the effectiveness of the Group's risk management and internal control systems and believes that the risk management and internal control systems were effective and sufficient during the Reporting Period.

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

1. Development of Compliance Management System

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

1. *Improve compliance management organizational structure and provide organizational guarantee*

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 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 subordinated units (which refer to the business lines, departments, branches and subsidiaries) and all staff members, and correspondingly defined the respective compliance management responsibilities that shall be fulfilled by them.

During the Reporting Period, in order to further strengthen the awareness of staff at all levels of the Company and its subordinate units in discharging their duties, the Company established a "three-in-one" three-level responsibility verification, identification and accountability system to strengthen compliance accountability for illegal and non-compliant acts of staff, and the Legal and Compliance Department took the lead in conducting investigation and identification of responsibility for violations of the internal rules and regulations of the Company, thereby effectively enhancing the awareness of compliance responsibilities of the Company as a whole.

SECTION IX CORPORATE GOVERNANCE REPORT

2. Further optimize the penetration compliance management system and improve the efficiency of internal compliance management of the Company

During the Reporting Period, the Company further optimized its compliance management system in a top-down manner, including compliance management department, compliance teams of business departments and compliance personnel of branches and subsidiaries. Through the “standardization and regulation” in areas including compliance management tools, compliance review standards, compliance inspection drafts, compliance monitoring indicators and compliance assessment procedures, the efficiency of duty performance of compliance management personnel at all levels was improved. In addition, the Company differentiated the scope of operation and operational characteristics of its subsidiaries pursuant to the penetrative compliance management requirements, formulated the respective compliance management plans for subsidiaries based on the principle of “classified policies”, explored the establishment of differentiated compliance management models for different types of subsidiaries and built a standardized supervision management model using notice letters, attention letters and warning letters. It emphasized the role of “systematization and informatization” in improving the effectiveness of compliance management, and successively completed the improvement of anti-money laundering, employee investment behavior, client transaction behavior, real name account, information Chinese wall and compliance (anti-money laundering) inspection systems during the year.

3. Adhere to the “risk-based” management principle in implementing anti-money laundering work to improve the Company’s ability to prevent money laundering risk

The Company adhered to the “risk-based” management principle and continued to organize all subordinated units to implement various anti-money laundering basic work and key tasks, and enhanced the Company’s overall anti-money laundering work level and money laundering risk prevention capabilities. Such work included improving the Company’s anti-money laundering system; continuously optimizing the system functions and processes, and improving the new comprehensive anti-money laundering monitoring system; conducting multi-dimensional assessment and inspection, strengthening money laundering risk management; commencing continuous publicity and training to establish anti-money laundering compliance culture; and actively cooperating with anti-money laundering regulation.

4. Improve the management of Chinese walls, conflicts of interest and staff practice to provide compliance protection for the business of the Company

The Company continuously increased the management standard of Chinese walls and conflicts of interest, improved the Chinese wall system functions, and completed special inspections of Chinese walls of key business lines; consolidated the embedded business system process for conflicts of interest management, post setting and staffing for conflicts of interest management, identification and assessment of conflicts of interest, conflicts of interest management measures and avoidance of conflicts of interest; and carried out inspections of staff accounts and securities investment behaviors and training and publicity for hot issues and typical violations of laws and regulations.

SECTION IX CORPORATE GOVERNANCE REPORT

(ii) Inspections completed by compliance department

During the Reporting Period, according to the requirements of regulatory authorities, the material risk events in the market and the major issues reflected in the management of the Company, the Company conducted key compliance inspections, including: the annual compliance inspection of the basic management of all branches and key businesses, the special compliance inspection conducted by branches, inspection of new business branches, inspection of customer transaction behavior management, inspection of the management of investors suitability, the compliance inspection of bond business and investment banking business, the anti-money laundering inspection, interest conflict inspection and Chinese wall inspection of business lines, branches and subsidiaries, and the inspection of integrity practice of employees.

(iii) Inspections and audits completed by the 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 220 audit projects, including 5 audit projects for an annual self-evaluation on the internal control of the Company, an annual assessment on the compliance effectiveness, securities investment fund custody business, private equity investment fund service business and management and internal control of connected transactions; 6 audit projects of out-going persons-in-charge of wealth management headquarters, research institute and sales and trading headquarters; 6 special audit projects for corporate bond financing business and others; 4 audit projects for internal control of subsidiaries and special audit; 22 audit projects of out-going persons-in-charge of internal control of branches; 139 audit projects of internal control of securities branches, and 38 audit projects of economic liabilities of persons-in-charge of securities branches.

X. MISCELLANEOUS

(i) Rights of shareholders

The Company convenes and holds general meetings in strict compliance with the relevant requirements of the Articles of Association, and the rules of procedure of the general meetings, 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.

SECTION IX CORPORATE GOVERNANCE REPORT

(iv) Appointment and remuneration of auditing firms

Deloitte Touche Tohmatsu Certified Public Accountants LLP had been acting as the external auditor of the Company for 8 years from 2011 to 2018. In accordance with the requirement of the “Administrative Measures for Appointment of Accounting Firms by Financial Enterprises” issued by the Ministry of Finance (Cai Jin [2016] No. 12) that a financial enterprise shall not reappoint an accounting firm for more than 8 years, the Company appointed Ernst & Young Hua Ming LLP and Ernst & Young as its external auditors for 2019 at the 2018 annual general meeting of the Company held on 28 May 2019.

With the approval by the 2019 annual general meeting, the Company re-appointed Ernst & Young Hua Ming LLP and Ernst & Young as the Company’s external auditors for 2020 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.

Name of the PRC accounting firm	Ernst & Young Hua Ming LLP
Signing auditors	Liang Chengjie and Song Xueqiang
Duration of service	two years
Name of the international accounting firm	Ernst & Young
Duration of service	two years

Remuneration for accounting firms: In accordance with a resolution passed at the 2019 annual general meeting of the Company, the annual external audit fee of the Company in 2020 amounted to RMB5.0913 million, in which the interim review fee amounted to RMB1.3755 million, the annual audit fee amounted to RMB2.7458 million, the annual internal control audit fee amounted to RMB325,500, agreed procedures for the first and the third quarters amounted to RMB550,000 and the environment, social and governance assurance fee amounted to RMB94,500. In 2020, the balance of audit fee for last year and the audit fee for this year paid by the Company to Ernst & Young Hua Ming LLP and Ernst & Young amounted to RMB6.5233 million.

(v) Review by the Audit Committee

The Audit Committee has reviewed the 2020 Consolidated Financial Statements of the Company.

(vi) Company Secretary

During the Reporting Period, Mr. Wu Chengming, the secretary of the Board and the joint company secretary of the Company, was 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 were strictly followed. In addition, the Company appointed Mr. Lee Kwok Fai Kenneth, a director and the head of the company secretary services department of TMF Hong Kong Limited, as its joint company secretary. The main contact person of the Company is Mr. Wu Chengming, the secretary to the Board.

According to Rule 3.29 of the Stock Exchange Listing Rules, during the Reporting Period, Mr. Wu Chengming and Mr. Lee Kwok Fai Kenneth received relevant professional training of no less than 15 hours.

SECTION IX CORPORATE GOVERNANCE REPORT

(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, 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 address of the Company. The copies of the minutes are available to all shareholders for inspection during business hours for free. The Articles of Association have been published 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 2020 annual general meeting.

(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 2020, the Company strengthened communication and contact with the general public, including domestic and overseas shareholders, potential investors, investment bank analysts and fund managers, and received over 200 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. During the Reporting Period, the Company disclosed information truly, accurately, completely and timely according to 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.

SECTION IX CORPORATE GOVERNANCE REPORT

(ix) Board member diversity policy and Director nomination 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 and realizing sustainable development and achieving strategic goal. The Company has taken the Board member diversity into consideration in various aspects 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 the principle of meritocracy and emphasizes on competency, skills and experience required by the overall operation of the Board as much as possible at the time of selecting candidates to ensure the balance of the Board composition.

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 and taking into full consideration of the candidates' professional background, career experience and skills, and make suggestions to the Board on the appointment of new Directors of the Company.

The Board Diversity Policy shall be complied with when the Nomination and Remuneration Committee makes recommendations on the candidates. The Nomination and Remuneration Committee is responsible for monitoring the implementation of the Board Diversity Policy. It reviews the policy on a regular basis and discusses all the measurable objectives of the Board member diversity each year. The Company has taken the diversity into consideration during the nomination of Directors (especially independent Directors). The Company has also considered their extensive experience in the securities market, business administration, financial management and risk management, legal and compliance. During the Reporting Period, the Nomination and Remuneration Committee nominated Mr. Law Cheuk Kin, Stephen as the candidate for independent Director. After taking into consideration the experience and qualification of Mr. Law Cheuk Kin, Stephen in accounting and financial management, and his experience of serving as director or senior management in various listed companies, the Nomination and Remuneration Committee is of the view that the election of Mr. Law Cheuk Kin, Stephen as an independent Director may further replenish the professional knowledge of the Board in financial management and corporate governance, and promote the diversity of the Board in terms of skills and experience.

Currently, the diversified composition of the Board of Directors of the Company is as follows:

Gender		Age	
Male 6 persons	Female 2 persons	50 to 59 6 persons	60 to 69 2 persons
Position			
Executive Director 2 persons	Non-executive Director 2 persons	Independent non-executive Director 4 persons	

(x) Amendments to the Articles of Association

During the Reporting Period, the Articles of Association of the Company have not been amended. In accordance with the new relevant laws and regulations and regulatory requirements, the Company is actively studying the amendments to the Articles of Association and will submit them to the Board of Directors and the general meeting for consideration and approval in due course.



CHINA GALAXY SECURITIES CO., LTD.
(Incorporated in the People's Republic
of China with Limited Liability)
Report and Consolidated Financial Statements
For the year ended 31 December 2020
(Prepared under International Financial
Reporting Standards)

SECTION X INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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 157 to 282, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 2020, 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 the 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 *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, 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 judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

SECTION X INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Key audit matter

How our audit addressed the key audit matter

Consolidation of structured entities

The total net assets of the consolidated structured entities, for which the Group acted as an asset manager, or both as an asset manager and investor, were RMB6,903 million as at 31 December 2020, which were significant to the consolidated financial statements. When determining whether a structured entity should be consolidated, a combination of factors need to be assessed according to the terms of the related contracts, including the Group's power over the structured entities, all variable returns obtained including investment income and management remuneration, the circumstances under which the managers of the relevant structured entities can be removed, etc. The assessment involves significant judgement and estimation of management.

Due to the above reasons, we identified the consolidation of structured entities as a key audit matter in our audit of the consolidated financial statements.

Relevant disclosures are included in Note 3.1 and Note 48 to the consolidated financial statements.

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

- Testing and evaluating key controls of management on determining the consolidation of structured entities;
- Reading, on a sample basis, the related investment contracts and service agreements in respect of the structured entities sampled from the complete list of the structured entities which the Group acted as an asset manager, or both as an asset manager and investor, to assess the appropriateness of the management's judgement of whether the Group controls these structured entities by considering the following factors:
 - The relevant activities of these structured entities and how variable returns are generated;
 - All variable returns entitled, primarily investment income and management remuneration;
 - The Group's power over these structured entities and how it can affect the variable returns; and
 - Under what circumstances the managers of the relevant structured entities can be removed.
- Evaluating whether the disclosure of the structured entities in the financial statements comply with the requirements of accounting standards.

SECTION X INDEPENDENT AUDITOR'S REPORT

Key audit matter

How our audit addressed the key audit matter

Measurement of expected credit losses (“ECLs”)

As at 31 December 2020, the total carrying amount of financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income held by the Group was RMB311,935 million, and the loss allowance that had been recognized for these financial assets on the basis of ECLs are RMB1,499 million, which was significant to the consolidated financial statements. The Group measured the loss provision for the financial instruments according to the ECL model. To measure the ECLs, management needs to make significant judgements and estimations on determining the timing of significant increase in credit risk, dividing the assets into groups with similar credit risk characteristics, assessing the models and assumptions used and estimating the cash flows that the Group expects to receive, and the forward-looking information.

Due to the above reasons, we identified the measurement of ECLs as a key audit matter in our audit of the consolidated financial statements.

Relevant disclosures are included in Note 2.5, Note 3 and Note 57.1 to the consolidated financial statements.

Our procedures in relation to management’s measurement of ECLs included:

- Testing and evaluating key controls of management on the measurement of ECLs;
- Assessing the appropriateness of the impairment model used by the management and the basis and rationality of the relevant assumptions, including the assessment basis of the key assumptions and parameters such as the judgment of significant increase in credit risk, the division of the asset group with similar credit risk characteristics, the expectation of future cash flow, and the forward-looking information;
- Examining significant data inputs into the ECL model, including probability of default, loss given default, exposure at default, etc., and review the accuracy of the model calculation;
- For the credit-impaired asset, assessing the loss allowance computed by the management with reference to financial information of borrowers, and the fair value of collaterals, as appropriate.
- Evaluating whether the disclosure of ECL of financial assets in financial statements meets the requirements of accounting standards.

We performed the ECL model validation procedures using internal model specialists.

SECTION X INDEPENDENT AUDITOR'S REPORT

Key audit matter

How our audit addressed the key audit matter

Valuation of financial instruments measured at Level 3 fair value

As at 31 December 2020, the Group held financial instruments measured at fair value of RMB191,519 million, among which RMB8,223 million were measured at Level 3 fair value, which were significant to the consolidated financial statements. Fair values of these financial instruments measured at Level 3 fair value were determined using valuation techniques. Selection of appropriate valuation techniques, relevant assumptions and unobservable inputs involves significant estimation of management.

Due to the above reasons, we identified the valuation of financial instruments measured at Level 3 fair value as a key audit matter in our audit of the consolidated financial statements.

Relevant disclosures are included in Note 2.5, Note 3 and Note 58 to the consolidated financial statements.

Our procedures in relation to the valuation of financial instruments measured at Level 3 fair value included:

- Testing and evaluating key controls of management on the valuation of financial instruments measured at Level 3 fair value;
- Evaluating the consistency of the valuation techniques used by management;
- Testing and evaluating relevant assumptions and inputs used;
- Evaluating the competency of valuation experts used by the management in the valuation process and involving our internal valuation specialists to assess the models used, re-performing independent valuations, to assess the reasonableness of management-related valuations;
- Evaluating whether the disclosure of the fair value assessment of financial instruments measured by fair value and classified as Level 3 in the financial statements met the requirements of accounting standards.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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.

SECTION X INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS 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. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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.

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

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

SECTION X INDEPENDENT AUDITOR'S REPORT

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

- 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, actions taken to eliminate threats or safeguards applied.

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 Leung Shing Kit.

Ernst & Young

Certified Public Accountants

Hong Kong

29 March 2021

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 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2020	2019
Revenue			
Commission and fee income	5	9,422,949	6,171,969
Interest income	6	10,804,374	9,527,424
Investment income and gains or losses	7	4,827,576	4,896,695
		25,054,899	20,596,088
Income from bulk commodity trading		6,065,162	2,721,495
Other income and gains	8	147,172	175,909
Total revenue, gains and other income		31,267,233	23,493,492
Impairment losses, net of reversal	14	(495,702)	(410,446)
Depreciation and amortization	9	(810,879)	(715,127)
Staff costs	10	(5,448,487)	(4,914,796)
Commission and fee expenses	11	(902,174)	(398,701)
Interest expenses	12	(6,626,219)	(6,035,711)
Cost from bulk commodity trading		(6,038,554)	(2,695,090)
Other operating expenses	13	(1,849,124)	(1,504,378)
Total expenses		(22,171,139)	(16,674,249)
Share of result of a joint venture		60,639	10,886
Profit before income tax		9,156,733	6,830,129
Income tax expense	15	(1,844,609)	(1,579,985)
Profit for the year		7,312,124	5,250,144
Profit for the year attributable to:			
Owners of the Company		7,243,654	5,228,429
Non-controlling interests		68,470	21,715
Earnings per share (Expressed in RMB per share)			
– Basic	16	0.71	0.52

The accompanying notes 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 (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2020	2019
Profit for the year	7,312,124	5,250,144
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss:		
Fair value gains/(losses) on investments in equity instruments measured at fair value through other comprehensive income	231,687	494,266
Income tax effect on changes in fair value	(57,720)	(123,566)
Remeasurement of defined benefit obligation	36,261	(6,002)
Share of other comprehensive income of a joint venture, net of related income tax	–	(391)
Subtotal	210,228	364,307
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(260,520)	121,940
Debt instruments measured at fair value through other comprehensive income:		
Fair value changes arising during the year	(416,771)	150,402
Reclassification adjustments included in profit or loss	(108,891)	(34,434)
Income tax that may be reclassified subsequently	131,416	(28,992)
Fair value losses on hedging instruments designated in cash flow hedges	(330)	20,535
Share of other comprehensive expense of a joint venture, net of income tax	–	5,519
Subtotal	(655,096)	234,970
Other comprehensive income/(expense) for the year (net of tax)	(444,868)	599,277
Total comprehensive income for the year (net of tax)	6,867,256	5,849,421
Total comprehensive income for the year attributable to:		
Owners of the Company	6,814,288	5,825,861
Non-controlling interests	52,968	23,560
	6,867,256	5,849,421

The accompanying notes 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 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
		2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	18	435,732	382,820
Investment properties		7,838	8,034
Right-of-use assets	19	922,538	1,339,654
Goodwill	20	426,454	439,539
Other intangible assets	21	525,101	493,538
Interest in a joint venture	22	1,308,173	1,320,136
Financial assets measured at fair value through profit or loss	23	22,294,039	2,339,832
Debt instruments measured at fair value through other comprehensive income	25	85,272	100,053
Equity instruments measured at fair value through other comprehensive income	26	33,868,191	19,349,092
Debt instruments measured at amortized cost	27	3,773,063	4,314,343
Financial assets held under resale agreements	24	12,035,795	13,609,000
Deposits with exchanges and non-bank financial institutions	29	1,108,410	472,763
Other receivables and prepayments	28	1,312,467	1,106,599
Advances to customers	31	19,726	199,235
Deferred tax assets	30	69,192	99,832
Bank balances – fixed deposits	35	298,000	–
Total non-current assets		78,489,991	45,574,470
Current assets			
Advances to customers	31	81,998,721	58,522,084
Accounts receivable	32	12,215,070	5,116,838
Tax recoverable		116,876	370,823
Other receivables and prepayments	28	2,699,614	1,841,999
Financial assets measured at fair value through profit or loss	23	70,352,971	71,699,287
Debt instruments measured at fair value through other comprehensive income	25	52,044,960	22,917,437
Equity instruments measured at fair value through other comprehensive income	26	–	156
Debt instruments measured at amortized cost	27	2,016,189	716,953
Financial assets held under resale agreements	24	19,827,276	16,829,084
Derivative financial assets	33	869,501	208,503
Deposits with exchanges and non-bank financial institutions	29	15,085,636	10,262,493
Clearing settlement funds	34	17,583,856	11,276,475
Bank balances	35	92,429,554	70,329,276
Total current assets		367,240,224	270,091,408
Total assets		445,730,215	315,665,878

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
		2020	2019
EQUITY AND LIABILITIES			
Equity			
Share capital	36	10,137,259	10,137,259
Other equity instruments	37	4,962,172	–
Reserves	38	43,854,243	41,842,422
Retained profits	38	22,300,857	18,915,914
Equity attributable to owners of the Company		81,254,531	70,895,595
Non-controlling interests		753,527	1,026,104
Total equity		82,008,058	71,921,699
Liabilities			
Non-current liabilities			
Bonds payable	39	39,674,644	31,142,519
Debt instruments	40	787,081	1,433,758
Financial liabilities measured at fair value through profit or loss	41	182,709	52,741
Other payables and accruals	42	752,388	466,476
Lease liabilities	19	679,144	822,767
Deferred tax liabilities	30	191,231	261,392
Total non-current liabilities		42,267,197	34,179,653
Current liabilities			
Bonds payable	39	20,017,727	26,522,572
Due to banks and other financial institutions	43	23,610,748	13,952,727
Debt instruments	40	53,476,353	22,584,027
Accounts payable to brokerage clients	44	97,670,919	80,508,860
Accrued staff costs	45	3,714,225	3,354,729
Other payables and accruals	42	22,668,420	5,087,712
Lease liabilities	19	234,354	513,957
Current tax liabilities		127,359	49,155
Financial liabilities measured at fair value through profit or loss	41	9,848,038	1,665,341
Derivative financial liabilities	33	1,973,412	469,792
Financial assets sold under repurchase agreements	46	88,113,405	54,855,654
Total current liabilities		321,454,960	209,564,526
Total liabilities		363,722,157	243,744,179
Total equity and liabilities		445,730,215	315,665,878
Net current assets		45,785,264	60,526,882
Total assets less current liabilities		124,275,255	106,101,352

The accompanying notes form an integral part of these consolidated financial statements.

Approved and authorized for issue by the Board of Directors on 29 March 2021 and were signed on its behalf by:

CHEN GONGYAN

DIRECTOR

CHEN LIANG

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 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Equity attributable to owners of the Company										
	Reserves									Non-controlling interests	Total equity
	Share capital	Capital reserves	Investment revaluation reserve	Cash flow hedging reserve	Translation reserves	General reserves	Other reserves	Retained profits	Subtotal		
At 1 January 2019	10,137,259	25,022,896	155,601	(20,205)	139,749	14,536,634	(70,069)	16,080,223	65,982,088	355,773	66,337,861
Profit for the year	-	-	-	-	-	-	-	5,228,429	5,228,429	21,715	5,250,144
Other comprehensive income for the year	-	-	457,676	20,535	120,094	-	(874)	-	597,431	1,846	599,277
Total comprehensive income for the year	-	-	457,676	20,535	120,094	-	(874)	5,228,429	5,825,860	23,561	5,849,421
Appropriation to general reserves	-	-	-	-	-	1,480,385	-	(1,480,385)	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	646,770	646,770
Dividend declared (Note 17)	-	-	-	-	-	-	-	(912,353)	(912,353)	-	(912,353)
At 31 December 2019	10,137,259	25,022,896	613,277	330	259,843	16,017,019	(70,943)	18,915,914	70,895,595	1,026,104	71,921,699

The accompanying notes 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 CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Equity attributable to owners of the Company											
	Share capital	Other equity instruments	Capital reserves	Investment revaluation reserve	Reserves				Retained profits	Subtotal	Non-controlling interests	Total equity
					Cash flow hedging reserve	Translation reserves	General reserves	Other reserves				
At 1 January 2020	10,137,259	-	25,022,896	613,277	330	259,843	16,017,019	(70,943)	18,915,914	70,895,595	1,026,104	71,921,699
Profit for the year	-	-	-	-	-	-	-	-	7,243,654	7,243,654	68,470	7,312,124
Other comprehensive income for the year	-	-	-	(220,279)	(330)	(245,066)	-	36,307	-	(429,368)	(15,502)	(444,870)
Total comprehensive income for the year	-	-	-	(220,279)	(330)	(245,066)	-	36,307	7,243,654	6,814,286	52,968	6,867,254
Appropriation to general reserves	-	-	-	-	-	-	2,237,559	-	(2,237,559)	-	-	-
Capital injection by non-controlling	-	-	-	-	-	-	-	-	-	-	76,805	76,805
Issue of perpetual bonds	-	4,962,172	-	-	-	-	-	-	-	4,962,172	-	4,962,172
Acquisition of non-controlling interests	-	-	204,439	-	-	-	-	-	-	204,439	(402,350)	(197,911)
Dividend declared (Note 17)	-	-	-	-	-	-	-	-	(1,621,961)	(1,621,961)	-	(1,621,961)
Other comprehensive income that has been reclassified to retained profits	-	-	-	(809)	-	-	-	-	809	-	-	-
At 31 December 2020	10,137,259	4,962,172	25,227,335	392,189	-	14,777	18,254,578	(34,636)	22,300,857	81,254,531	753,527	82,008,058

The accompanying notes 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 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2020	2019
OPERATING ACTIVITIES			
Profit before income tax		9,156,733	6,830,129
Adjustments for:			
Interest expenses		6,626,219	6,035,711
Share of results of a joint venture		(60,639)	(10,886)
Depreciation and amortization		810,879	715,127
Impairment losses, net of reversal		495,702	410,445
Gains on disposal of property and equipment and other intangible assets		(4,516)	1,883
Foreign exchange losses		7,524	(21,593)
Net realized gains from disposal of debt instruments measured at fair value through other comprehensive income		(217,383)	(104,251)
Net realized gains from disposal of debt instruments measured at amortized cost		(34)	(65,805)
Interest income from debt instruments measured at fair value through other comprehensive income		(1,610,686)	(985,570)
Interest income from other financial assets		(3,125)	(21,585)
Dividend income from equity instruments measured at fair value through other comprehensive income		(534,764)	(620,169)
Interest income from debt instruments measured at amortized cost		(230,945)	(194,308)
Unrealized fair value gains on financial assets measured at fair value through profit or loss		(822,842)	(2,133,437)
Unrealized fair value losses on financial liabilities measured at fair value through profit or loss		72,541	268,923
Unrealized fair value losses on derivative financial instruments		852,689	208,724
		14,537,353	10,313,338

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 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2020	2019
OPERATING ACTIVITIES			
Operating cash flows before movements in working capital		14,537,353	10,313,338
(Increase)/decrease in advances to customers		(23,358,191)	14,118,923
(Increase)/decrease in accounts receivable and other receivables and prepayments		(7,731,978)	1,900,598
(Increase)/decrease in financial assets held under resale agreements		(1,630,248)	9,278,920
(Increase)/decrease in financial assets at fair value through profit or loss and derivative financial assets		(17,919,199)	(11,364,468)
Increase in deposits with exchanges and non-bank financial institutions		(5,324,639)	(5,318,041)
(Increase)/decrease in clearing settlement funds-clients		(2,841,195)	2,127,438
(Increase)/decrease in cash held on behalf of customers		(16,543,101)	(17,684,582)
Increase/(decrease) in accounts payable to brokerage clients, accrued staff costs and other payables and accruals		35,086,600	(7,356,494)
(Increase)/decrease in financial liabilities measured at fair value through profit or loss and derivative financial liabilities		8,215,787	(254,076)
Increase/(decrease) in financial assets sold under repurchase agreements		33,275,992	26,783,779
Increase in amounts due to banks and other financial institutions		7,380,000	6,170,000
Increase in restricted bank deposits		(755,678)	–
Cash from/(used in) operations		22,391,503	28,715,335
Income taxes paid		(1,478,285)	(1,244,633)
Interests paid		(2,593,532)	(1,690,942)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		18,319,686	25,779,760
INVESTING ACTIVITIES			
Dividends and interest received from investments		2,207,901	2,069,753
Purchases of property and equipment and other intangible assets		(423,290)	(528,395)
Proceeds from disposals of property and equipment and other intangible assets		22,793	21,590
Capital injection to a joint venture		(9,164)	(1,276,265)
Acquisition of a subsidiary, net of cash acquired		–	1,212,189
Purchases of debt instruments at fair value through other comprehensive income		(40,378,893)	(13,295,049)
Proceeds from disposals of debt instruments at fair value through other comprehensive income		11,231,673	7,839,907
Purchases of equity instruments at fair value through other comprehensive income		(14,840,027)	(16,902,257)
Proceeds from disposals of equity instruments at fair value through other comprehensive income		551,962	7,900,000
Purchases of debt instruments measured at amortized cost		(3,498,814)	(4,925,926)
Proceeds from redemption of debt instruments measured at amortized cost		2,640,930	5,200,990
Placement of bank deposits with original maturity of more than three months		(968,652)	(1,145,137)
Maturity of bank deposits with original maturity of more than three months		1,145,137	1,055,394
Cash payment to acquire additional interests in subsidiaries		(239,428)	–
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		(42,557,872)	(12,773,206)

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 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2020	2019
FINANCING ACTIVITIES			
Transaction costs paid on issuance of bonds		(92,453)	(52,830)
Proceeds from bonds issued		28,000,000	30,819,501
Repayment of bonds issued		(25,720,000)	(26,100,213)
Cash injection by third-party holders to consolidated structured entities		87,465	–
Proceeds from debt instruments issued		129,048,871	10,895,530
Repayment of debt instruments issued		(98,516,187)	(20,264,002)
Proceeds from amounts due to banks and other financial institutions		2,218,989	553,530
Cash repayment of third-party interests in consolidated structured entities		–	(1,728,945)
Interests paid in respect of bonds, borrowing and financial instrument payables		(4,602,778)	(4,186,832)
Dividends paid		(1,621,961)	(912,353)
Payment of lease liabilities		(554,885)	(211,766)
Capital injection by non-controlling shareholders of subsidiaries		76,805	–
Proceeds from issuance of a perpetual bond		4,962,172	–
NET CASH (USED) IN/FROM FINANCING ACTIVITIES		33,286,038	(11,188,380)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		9,047,852	1,818,174
CASH AND CASH EQUIVALENTS AT 1 JANUARY		10,499,839	8,645,592
Effect of foreign exchange rate changes		(139,112)	36,073
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	47	19,408,579	10,499,839
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		11,904,217	11,540,010

The accompanying notes 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 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

1. CORPORATE 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 the 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, and 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”).

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out below. The consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Standard, amendments and interpretation effective in 2020

In the current year, the Group has applied the following new standard, amendments and interpretation to IFRSs that are effective for the Group’s annual period beginning on 1 January 2020.

On 1 January 2020, the Group adopted the following new standards, amendments and interpretations.

IFRS 3 Amendments	Definition of a Business
IFRS 7, IFRS 9 and IAS 39 Amendments	Interest Rate Benchmark Reform
IAS 1 and IAS 8 Amendments	Definition of Material
IFRS 16 Amendments	Covid-19 Related Rent Concessions

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Standard, amendments and interpretation effective in 2020 (continued)

IFRS 3 Amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments to IFRS 9, IAS 39 and IFRS 7 modify some specific hedge accounting requirements. During the period of uncertainty arising from phasing-out of interest-rate benchmarks with an alternative nearly risk-free interest rate (“RFR”), the entities that apply these hedge accounting requirements can assume that the interest rate benchmarks on which the hedged cash flows and cash flows of the hedging instrument are based are not altered as a result of interest rate benchmark reform.

Amendments to IAS 1 and IAS 8 provide a new definition of materiality. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions made by the primary users of general purpose financial statements based on those financial statements. The amendments clarify that materiality depends on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

IFRS 16 Amendment provides for rent concessions during COVID-19, which provides an exemption for lessees. For lease payments due before June 2021, lessees are not required to apply the guidance on accounting treatment of lease modifications in IFRS 16 for rent concessions granted due to the impact of COVID-19. The amendment is applicable for annual reporting periods beginning on or after 1 June 2020, and earlier adoption is permitted. The Group has adopted the amendments from 1 January 2020.

The adoption of the above standards, amendments and interpretations does not have any significant impact on the operating results, financial position and comprehensive income of the Group.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are relevant to the Group. These amendments, new standards and interpretations are not yet effective for the year ended 31 December 2020 and have not been adopted in the financial statements.

Standards		Effective for annual periods beginning on or after
(1) Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
(2) Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
(3) Amendments to IAS 37	Onerous Contracts-Cost of Fulfilling a Contract	1 January 2022
(4) Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
(5) IAS 1 and IFRS Practice Statement 2 Amendments	Disclosure of Accounting Policies	1 January 2023
(6) IAS 8 Amendments	Definition of Accounting Estimates	1 January 2023
(7) IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been deferred indefinitely
(8) Annual Improvements to IFRSs 2018-2020 Cycle (issued in May 2020)		1 January 2022

IFRS 3 Amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

IAS 16 Amendments prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Possible impact of amendments, new standards and interpretations issued but not yet effective (continued)

IAS 37 Amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

IAS 1 Amendments specify the requirements for classifying liabilities as current or non-current. The amendments clarify what is meant by a right to defer settlement that a right to defer must exist at the end of the reporting period, classification is unaffected by the likelihood that an entity will exercise its deferral right, and only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

The amendments to IAS 1 and IFRS Practice Statement 2 (the PS) provide guidance to help entities apply materiality judgements to accounting policy disclosures. The amendments replace the requirement for entities to disclose their “significant” accounting policies with a requirement to disclose their “material” accounting policies. The amendments add guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

IAS 8 Amendments introduce a new definition of “accounting estimates”. The amendments are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture.

Annual Improvements to IFRSs 2018-2020 Cycle were issued in May 2020, including an amendment to IFRS 9 Financial Instruments, which clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability by conducting the “10 per cent” test for derecognition of financial liabilities. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. The improvements also include an amendment to lease incentives, which removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16 Leases, so as to remove potential confusion regarding the treatment of lease incentives when applying IFRS 16.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) as at 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- (a) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- (b) Exposure, or rights, to variable returns from its involvement with the investee;
- (c) The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee;
- (b) Rights arising from other contractual arrangements;
- (c) The Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group 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 in line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill, liabilities, non-controlling interest and other components of equity), while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies

1) *Business combinations and goodwill*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the operation and the portion of the cash-generating unit retained.

2) *Fair value measurement*

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2) Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted prices (unadjusted in active markets for identical assets or liabilities)

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3) Investments in associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

3) *Investments in associates and joint ventures (continued)*

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within "Share of profit of an associate and a joint venture" in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

4) *Revenue recognition*

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

4) Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Securities brokerage and investment consulting business

Income from securities brokerage is recognized on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from the brokerage business is recognized when the related services are rendered.

Income from the investment consulting business is recognized when the relevant transactions have been arranged or the relevant services have been rendered.

(b) Underwriting and sponsorship business

Income from the underwriting and sponsorship business is recognized when the obligation of underwriting or sponsoring is completed.

(c) Asset management business

Income from regular management fees is recognized periodically based on a predetermined fixed percentage of the asset value under the asset management agreement. Income from performance fees is recognized when the performance fee is determinable based on actual performance measurement, as and when contingent criteria associated are met.

(d) Other business

Income from other business is recognized when control of goods or services is transferred to the customers.

5) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value., less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

6) Leases

The Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments or a change in the assessment of an option) to purchase the underlying asset.

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

7) *Foreign currencies*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration), the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

On consolidation, the assets and liabilities of foreign operations are translated at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

8) *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

9) *Government grants*

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

10) 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 costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation in the consolidated statement of profit or loss:

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

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

A liability for a termination benefit is recognized at the earlier of when the group entity can no longer withdraw the offer of the termination benefit and when it recognizes any related restructuring costs.

11) Short-term employee benefits

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

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

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

12) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that is 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 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 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 and interest in a joint venture, 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 interest 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 each 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 rates (and tax laws) that have been enacted or substantively enacted by the end of the 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.

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

Current and deferred taxes 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 taxes 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.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

13) Property, plant and equipment

Property, plant and equipment including buildings held for use in the supply of services, 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.

Properties in the course of construction for supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

The estimated residual value rates and useful lives of each class of property and equipment which are required by the operation of the Group are as follows:

Classes	Estimated residual value rates	Useful lives
Buildings	5%	20-40 years
Electronic and communication equipment	0-4%	3-5 years
Motor vehicles	4-5%	4-10 years
Office equipment	0%	3-5 years
Leasehold improvements	0%	Over the lease term ranging from 36 months to 5 years

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

14) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write off the cost of investment properties over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

15) 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.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and 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 life of computer software is 3 years.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

16) Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful 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.

The recoverable amount of tangible and intangible assets is estimated individually, when it is not possible to estimate the recoverable amount 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.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income derived from the Group's ordinary course of business is presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement. i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

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.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and debt instruments subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognized in profit or loss. All other changes in the carrying amount of these debt instruments are recognized in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognized in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these debt instruments had been measured at amortized cost. When these debt instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Investment income and gains or losses" line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as at FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets which are subject to impairment under IFRS 9, including debt instruments measured at FVTOCI or amortized cost, advances to customers, accounts receivable, other receivables, financial assets held under resale agreements, deposits with exchanges and non-bank financial institutions, clearing settlement funds and bank balances. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECLs for accounts receivable without significant financing component. The ECLs on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECLs. The assessment of whether lifetime ECLs should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life;
- an actual or expected significant change in the financial instrument's external credit rating;
- an actual or expected internal credit rating downgrade for the borrower;

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(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

- (i) Significant increase in credit risk (continued)
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations;
 - an actual or expected significant change in the operating results of the borrower;
 - an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations;
 - significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
 - an actual or expected significant change in the quality of credit enhancements;
 - significant changes in the expected performance and behaviour of the borrower.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument at fair value through OCI has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i it has a low risk of default, ii the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- other events that the Group may consider as the evidence of default.

(iv) Measurement and recognition of ECLs

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default and the exposure at default). The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECLs reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECLs is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

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(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iv) Measurement and recognition of ECLs (continued)

For ECLs on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost of the financial asset.

For undrawn loan commitments, the loss allowances are the present value of the difference between:

- (a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan; and
- (b) the cash flows that the Group expects to receive if the loan is drawn down.

Except for investments in debt instruments that are measured at FVTOCI and loan commitments, the Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through the use of a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognized in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these debt instruments.

Derecognition of financial assets

A financial asset is primarily derecognized when:

- The rights to receive cash flows from the asset have expired

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments 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.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) 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 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, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

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 IFRS 9/IAS 39 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, 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 recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities at amortized cost

Financial liabilities (including bonds payable, debt instruments 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

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.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortized cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 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.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

Hedge accounting (continued)

Assessment of hedging relationship and effectiveness (continued)

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge so that it meets the qualifying criteria again).

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the “other income, gains and losses” line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the losses accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Fair value hedges

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or a component of any such item, that is attributable to a particular risk and could affect profit or loss. The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in the income statement, together with the changes in fair value of the hedged item attributable to the hedged risk. The net result is included as ineffectiveness in the income statement. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

Hedge accounting (continued)

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transactions is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. If the hedged items are derecognised, the unamortised fair value is recorded in profit or loss.

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

Financial assets held under resale agreements and financial assets sold under repurchase agreements are recorded at the amount actually paid or received when the transactions occur, and are recognized in the statement of financial position. The assets held under the agreements to resell are registered as off-balance-sheet items, while the assets sold under the agreements to repurchase are recorded in the statement of financial position.

The bid-ask spread of the financial assets under agreements to resell and financial assets sold under agreements to repurchase is recognized as interest income or interest expense using the effective interest rate method in the reselling or repurchasing period.

Securities lending

The Group lends securities to clients and the cash collateral required under securities lending agreements and interest 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 “Financial assets at fair value through profit or loss”.

Offsetting of financial assets and financial liabilities

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

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(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

18) Inventories

Inventories are recognised at cost for initial recognition. The cost of inventories comprises all costs of purchase, costs of conversion and other costs.

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. When net realisable value is lower than the carrying amount, the Group decreases the carrying amount to net realisable value. The decreased amount is recognised in profit or loss and corresponding allowance is made.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and related taxes.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in Note 2, 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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The estimates and underlying assumptions are reviewed on an on-going 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.

3.1 Critical judgements in applying accounting

The following are the critical judgements, 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.

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(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Critical judgements in applying accounting (continued)

Determination on classification of financial assets

Classification and measurement of financial assets depends on the results of whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or FVTOCI that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

Measurement of ECLs

The following significant judgements are required in applying the accounting requirements for measuring the ECLs:

Significant increase in credit risk

ECLs are measured as an allowance equal to 12-month ECLs for stage 1 assets, or lifetime ECLs for stage 2 or stage 3 assets. An asset classified as stage 2 when its credit risk has increased significantly since initial recognition, and it comes to stage 3 when it is credit impaired (but it is not purchased original credit impaired). In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. Refer to Note 57 for more details.

The Group has applied a “three-stage” impairment model for ECL measurement based on changes in credit quality since initial recognition of financial assets as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified as “Stage 1” and has its credit risk continuously monitored by the Group;
- If a significant increase in credit risk (“SICR”) since initial recognition is identified, the financial instrument is classified as Stage 2 but is not yet deemed to be credit-impaired. The Group considers a financial instrument to have experienced a SICR when one or more of the following quantitative and qualitative criteria have been met:
 - for margin financing: the occurrence of fore-warning credit management actions such as margin call measure triggered based on the pre-determined threshold of the relevant loan balances to collateral ratios, significant deterioration in the value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements which have an effect on the probability of a default occurring; and
 - for debt securities investments: significant deteriorations between the investment’s initial external or internal credit rating and the credit rating at the reporting date. The Group considers that the debt securities have experienced a significant increase in credit risk if the securities are more than 30 days past due on its contractual payments.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Critical judgements in applying accounting (continued)

Measurement of ECLs (continued)

Significant increase in credit risk (continued)

- If the financial instrument is credit-impaired, the financial instrument is then classified as Stage 3. The Group determines a financial instrument to be credit impaired upon the occurrence of credit events including:
 - for margin financing: credit management actions such as force liquidation of a margin client's position triggered based on the pre-determined threshold of margin loan to collateral ratios; and collateral valuation falling short of the related margin loan amount; and
 - for debt securities investments: significant deterioration in the investment's internal and external rating whereby the issuer is assessed to be typically in default, with little prospect for recovery of principal or interest; or, significant financial difficulty of the issuer. The Group considers that the debt securities are credit impaired if the securities are more than 90 days past due.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets transfer from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECLs changes because the credit risk of the portfolios differ.

Models and assumptions used

The Group uses various models and assumptions in estimating ECLs. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See Note 57 for more details on ECLs.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 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.

Fair value measurement of financial instruments

Certain of the Group's financial instruments amounting to RMB8,223 million as at 31 December 2020 (RMB4,359 million as at 31 December 2019) are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See Note 58 for further disclosures.

Measurement of ECLs

Forward-looking information

When measuring ECLs, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 57 for more details.

Probability of default (PD)

PD constitutes a key input in measuring ECLs. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Refer to Note 57 for more details.

Loss given default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Refer to Note 57 for more details.

Provision for ECLs on accounts receivable and other receivables

The Group uses a provision matrix to calculate ECLs for accounts receivable and other receivables. The provision rates are based on shared credit risk characteristics as groupings of accounts receivable and other receivables that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, accounts receivable and other receivables with significant balances and credit impairment are assessed for ECL individually.

The provision for ECLs is sensitive to changes in estimates. The information about the ECLs and the Group's accounts receivable and other receivables are disclosed in Note 57.1, respectively.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Key sources of estimation uncertainty (continued)

Measurement of ECLs (continued)

Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which the goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss/further impairment loss may arise. As at 31 December 2020, the carrying amount of goodwill was RMB426 million (31 December 2019: RMB440 million).

Income Tax

Determining provisions for income tax requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and provides for taxes accordingly. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

4. SEGMENT REPORTING

Information reported to the board of directors of the Company, being the chief operating decision maker (the “CODM”), 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 units that offer different products and serve 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.

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4. SEGMENT REPORTING (continued)

Specifically, the Group's operating segments are as follows:

- (a) Securities brokerage: This segment engages in the provision of securities dealing and broking, margin financing to margin clients and securities lending;
- (b) Futures brokerage: This segment engages in futures dealing and broking, futures information consulting and training;
- (c) Proprietary trading and other securities trading services: This segment engages in trading of equities, bonds, funds, derivatives and other financial products for the Group;
- (d) Investment banking: This segment engages in the provision of corporate finance services including underwriting of equity and debt securities and financial advisory services to institutional clients;
- (e) Asset management: This segment engages in the provision of portfolio management, investment advisory and transaction execution services;
- (f) Private equity and alternative investment: This segment makes equity investments in private companies and realizes capital gains by exiting from these private equity investments through initial public offerings or share sales, or receives dividends from these portfolio companies;
- (g) Overseas business: This segment mainly represents the business operations in securities brokerage, futures brokerage, securities research, investment banking, margin financing, money lending, asset management and insurance brokerage business that are carried out overseas;

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 balance mainly resulted from futures brokerage transaction carried out by the futures brokerage segment for the 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.

The Group operates in Mainland China, Hong Kong and other overseas areas, 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 the overseas business segment are attributable to operations in Hong Kong and other overseas areas, while other segment revenue and assets of the Group are attributable to operations in Mainland China. No single customer contributes more than 10% to the Group's revenue for the years ended 31 December 2020 and 2019.

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4. SEGMENT REPORTING (continued)

The operating and reportable segment information provided to the CODM for the years ended 31 December 2020 and 2019 is as follows:

	Securities brokerage	Futures brokerage	Proprietary trading and other securities services	Investment banking	Asset management	Private equity and alternative investments	Overseas business	Reportable segment total	Others	Eliminations	Consolidated total
For the year ended 31 December 2020											
Segment revenue and results											
Revenue and net investment gains											
– External	15,710,632	509,246	5,411,281	809,369	548,946	398,491	1,789,690	25,177,655	340,692	(463,448)	25,054,899
– Inter-segment	338,617	2,273	–	–	5,661	–	–	346,551	–	(346,551)	–
Other income	26,657	6,149,834	–	528	1,331	2,466	29,141	6,209,957	2,377	–	6,212,334
Segment revenue and other income	16,075,906	6,661,353	5,411,281	809,897	555,938	400,957	1,818,831	31,734,163	343,069	(809,999)	31,267,233
Segment expenses	9,849,771	6,177,440	3,111,945	408,434	425,020	80,370	1,623,770	21,676,750	825,700	(331,311)	22,171,139
Segment result	6,226,135	483,913	2,299,336	401,463	130,918	320,587	195,061	10,057,413	(482,631)	(478,688)	9,096,094
Share of result of a joint venture	–	–	–	–	–	–	60,639	60,639	–	–	60,639
Profit/(loss) before income tax	6,226,135	483,913	2,299,336	401,463	130,918	320,587	255,700	10,118,052	(482,631)	(478,688)	9,156,733
As at 31 December 2020											
Segment assets and liabilities											
Segment assets	178,690,464	40,158,349	182,665,482	132,513	1,950,104	4,760,022	31,093,149	439,450,083	183,306,956	(177,096,015)	445,661,024
Deferred tax assets	–	–	–	–	–	–	–	–	–	–	69,192
Group's total assets	–	–	–	–	–	–	–	–	–	–	445,730,216
Segment liabilities	177,187,165	36,599,736	177,001,176	362,375	643,253	298,793	27,060,840	419,153,338	115,755,044	(171,377,455)	363,530,927
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–	191,231
Group's total liabilities	–	–	–	–	–	–	–	–	–	–	363,722,158
Other segment information											
Depreciation and amortization	487,703	44,227	19,251	29,005	8,846	4,742	102,234	696,008	114,871	–	810,879
Impairment losses	314,787	6,795	203,416	(117,639)	29,530	(8,534)	65,120	493,475	2,227	–	495,702
Additions to non-current assets	101,528	–	18,731	–	–	–	–	120,259	145,353	–	265,612
Interest income from operations	7,630,742	335,184	(1,609,576)	–	23,452	8,611	656,677	7,045,090	155,804	–	7,200,894
Interest income from investments	–	2,777	1,809,198	–	12,022	–	–	1,823,997	–	–	1,823,997
Interest expenses	541,339	51,459	2,017,590	–	50,510	37	275,359	2,936,294	3,687,657	–	6,623,951

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4. SEGMENT REPORTING (continued)

	Securities brokerage	Futures brokerage	Proprietary trading and other securities services	Investment banking	Asset management	Private equity and alternative investments	Overseas business	Reportable segment total	Others	Eliminations	Consolidated total
For the year ended 31 December 2019											
Segment revenue and results											
Revenue and net investment gains											
- External	11,884,276	782,678	6,653,764	427,391	670,627	258,659	1,533,303	22,210,698	(1,074,133)	-	21,136,565
- Inter-segment	434,121	275	-	-	16,369	-	-	450,765	-	(991,242)	(540,477)
Other income	26,198	2,744,866	-	406	-	1,789	75,578	2,848,837	48,567	-	2,897,404
Segment revenue and other income	12,344,595	3,527,819	6,653,764	427,797	686,996	260,448	1,608,881	25,510,300	(1,025,566)	(991,242)	23,493,492
Segment expenses	8,858,904	3,219,508	2,804,915	359,930	612,219	83,985	1,559,745	17,499,206	(376,445)	(448,512)	16,674,249
Segment result	3,485,691	308,311	3,848,849	67,867	74,777	176,463	49,136	8,011,094	(649,121)	(542,730)	6,819,243
Share of result of a joint venture	-	-	-	-	-	-	10,886	10,886	-	-	10,886
Profit/(loss) before income tax	3,485,691	308,311	3,848,849	67,867	74,777	176,463	60,022	8,021,980	(649,121)	(542,730)	6,830,129
As at 31 December 2019											
Segment assets and liabilities											
Segment assets	144,710,107	21,354,629	112,567,848	760,511	1,923,005	4,524,751	21,248,041	307,088,892	135,157,735	(126,680,581)	315,566,046
Deferred tax assets											99,832
Group's total assets											315,665,878
Segment liabilities	143,907,004	19,237,892	109,665,478	888,612	612,634	265,293	17,262,267	291,839,180	78,315,474	(126,671,867)	243,482,787
Deferred tax liabilities											261,392
Group's total liabilities											243,744,179
Other segment information											
Depreciation and amortization	318,624	40,839	10,088	23,225	5,116	2,816	246,538	647,246	67,881	-	715,127
Impairment losses	195,538	2,111	118,648	-	60,420	2,110	24,790	403,617	6,829	-	410,446
Additions to non-current assets	69,493	13,471	-	-	483	174	29,742	113,363	458,850	-	572,213
Interest income from operations	6,872,666	359,459	249,460	3,031	27,529	5,416	651,089	8,168,650	155,990	-	8,324,640
Interest income from investments	-	-	1,180,313	-	15,552	-	6,919	1,202,784	-	-	1,202,784
Interest expenses	296,896	8,596	1,395,373	9,921	(266)	1	278,183	1,988,704	4,047,007	-	6,035,711

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5. COMMISSION AND FEE INCOME

	Year ended 31 December	
	2020	2019
Commission on securities dealing and broking and handling fee income	7,314,557	4,488,958
Underwriting and sponsors' fees	898,835	400,426
Commission on futures and option contracts dealing and broking and handling fee income	460,541	373,071
Consultancy and financial advisory fee income	153,009	113,341
Asset management fee income	594,488	633,750
Others	1,519	162,423
	9,422,949	6,171,969

6. INTEREST INCOME

The following is the analysis excluding interest income from investments:

	Year ended 31 December	
	2020	2019
Deposits with exchanges and non-bank financial institutions and bank balances	2,207,863	2,242,849
Advances to customers and securities lending	5,060,540	3,779,591
Financial assets held under resale agreements	1,691,217	2,303,521
Debt instruments measured at fair value through other comprehensive income	1,610,686	985,570
Debt instruments measured at amortized cost	230,945	194,309
Interest income from other financial assets	3,123	21,584
	10,804,374	9,527,424

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7. INVESTMENT INCOME AND GAINS OR LOSSES

	Year ended 31 December	
	2020	2019
Realized and unrealized gains/(losses) from		
– debt instruments measured at FVTOCI	217,383	104,251
– debt instruments measured at amortized cost	34	65,805
– financial assets measured at FVTPL	6,755,361	5,828,266
– financial liabilities designated at FVTPL	(619,253)	(302,034)
– derivatives	(2,130,927)	(1,419,859)
– financial liabilities held for trading	70,214	97
Dividend income from		
– equity instruments measured at FVTOCI	534,764	620,169
	4,827,576	4,896,695

8. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December	
	2020	2019
Government grants	52,058	19,588
Gains or loss on disposals of property and equipment and other intangible assets	4,518	(1,883)
Foreign exchange gains or losses	(7,524)	21,593
Gross rental income	7,004	11,223
Others	91,116	125,388
	147,172	175,909

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

9. DEPRECIATION AND AMORTIZATION

	Year ended 31 December	
	2020	2019
Depreciation for right-of-use assets	547,489	483,386
Depreciation for property and equipment	178,988	164,877
Depreciation for investment properties	196	197
Amortization of other intangible assets	84,206	66,667
	810,879	715,127

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10. STAFF COSTS

	Year ended 31 December	
	2020	2019
Salaries, bonus and allowances	4,395,876	3,858,334
Social welfare	469,905	620,534
Contributions to annuity schemes	132,405	101,530
Supplementary retirement benefits	30,195	28,504
Early retirement benefits	11	2,584
Others	420,095	303,310
	5,448,487	4,914,796

11. COMMISSION AND FEE EXPENSES

	Year ended 31 December	
	2020	2019
Securities and futures dealing and broking expenses	854,532	310,531
Underwriting and sponsors' fee expenses	24,691	9,142
Other service expenses	22,951	79,028
	902,174	398,701

12. INTEREST EXPENSES

	Year ended 31 December	
	2020	2019
Presented below are interest expenses on the following liabilities:		
– Bonds payable	2,772,749	3,693,298
– Financial assets sold under repurchase agreements	1,817,694	1,176,162
– Debt instruments	924,703	407,616
– Accounts payable to brokerage clients	393,643	354,812
– Due to banks and other financial institutions	583,705	329,112
– Third-party interests in consolidated structured entities and others	132,326	74,711
– Securities lending	1,399	–
	6,626,219	6,035,711

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13. OTHER OPERATING EXPENSES

	Year ended 31 December	
	2020	2019
General and administrative expenses	811,316	661,455
Value-added tax and surcharges	145,004	124,430
Minimum operating lease rentals in respect of rented premises	90,371	92,951
Data transmission expenses	294,297	138,281
Securities investor protection funds	70,703	56,899
Business travel expenses	53,102	86,439
Utilities expenses	34,792	43,916
Auditors' remuneration	8,581	15,864
Sundry expenses	340,958	284,143
	1,849,124	1,504,378

For the year ended 31 December 2020, included in "Other operating expenses" were operating lease expenses related to lease liabilities of RMB44 million.

14. IMPAIRMENT LOSSES, NET OF REVERSAL

	Year ended 31 December	
	2020	2019
Impairment losses recognized/(reversed) on:		
– Financial assets held under resale agreements (Note 24)	214,460	254,129
– Advances to customers (Note 31)	41,340	(3,944)
– Accounts receivable (Note 32)	13,637	11,493
– Other receivables (Note 28)	16,059	67,247
– Debt instruments measured at FVTOCI (Note 25)	108,491	69,817
– Debt instruments measured at amortized cost (Note 27)	101,947	9,333
– Bank balances	1,209	260
– Inventories	(1,441)	2,111
	495,702	410,446

Details of impairment assessment for the year ended 31 December 2020 are set out in Note 57.

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15. INCOME TAX EXPENSE

	Year ended 31 December	
	2020	2019
Current income tax		
PRC Enterprise Income Tax	1,779,817	1,027,980
Overseas Profits Tax	33,685	38,306
Underprovision in prior years:		
PRC Enterprise Income Tax	(3,068)	1,899
Overseas Profits Tax	–	825
Subtotal	1,810,434	1,069,010
Deferred income tax (Note 30)	34,175	510,975
	1,844,609	1,579,985

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%.)

Taxation on profits of Hong Kong, Singapore and other countries and regions has been calculated on the estimated assessable profits in accordance with local tax regulations at the rates of taxation prevailing in the countries or regions in which the Group operates.

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	
	2020	2019
Profit before income tax	9,156,734	6,830,129
Tax at the statutory tax rate of 25%	2,289,184	1,707,532
Tax effect of share of loss/(profit) of a joint venture	–	(1,796)
Tax effect of expenses not deductible for tax purposes	94,616	94,572
Tax effect of income not taxable for tax purposes	(510,920)	(205,576)
Effect of different tax rates of subsidiaries	(31,256)	(5,904)
Utilization of tax losses/deductible temporary differences previously not recognized	4,901	(11,567)
Underprovision in respect of prior years	3,067	2,724
Others	(4,983)	–
Income tax expense for the year	1,844,609	1,579,985

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16. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Year ended 31 December	
	2020	2019
Profit attributable to owners of the Company	7,243,654	5,228,429
Weighted average number of shares in issue (thousand)	10,137,259	10,137,259
Basic earnings per share (in RMB)	0.71	0.52

No diluted earnings per share for both 2020 and 2019 was presented as there were no potential ordinary shares in issue for both 2020 and 2019.

17. DIVIDENDS

Dividends for ordinary shareholders of the Company declared during the year:

	Year ended 31 December	
	2020	2019
Dividends declared	1,621,961	912,353

A dividend in respect of 2019 of RMB1.6 per 10 shares (inclusive of tax), or a total of RMB1,621.96 million, based on a total of 10,137,258,757 shares in issue, was approved at the Annual General Meeting on 29 June 2020.

A dividend in respect of 2018 of RMB0.9 per 10 shares (inclusive of tax), or a total of RMB912.35 million, based on a total of 10,137,258,757 shares in issue, was approved at the Annual General Meeting on 28 May 2019.)

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18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Electronic and communication equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
COST						
As at 1 January 2019	248,829	762,131	90,165	133,842	356,064	1,591,031
Additions	20	104,157	1,311	10,986	50,973	167,447
Acquisition of subsidiaries	1,341	8,870	1,116	4,061	6,865	22,253
Exchange gains or losses	(95)	(666)	517	(191)	581	146
Disposals/write-off	–	(45,981)	(7,192)	(10,850)	(46,925)	(110,948)
As at 31 December 2019	250,095	828,511	85,917	137,848	367,558	1,669,929
ACCUMULATED DEPRECIATION						
As at 1 January 2019	152,395	652,104	81,877	107,061	233,098	1,226,535
Charge for the year	10,957	65,023	2,192	11,421	75,284	164,877
Disposals/write-off	–	(39,953)	(6,975)	(10,450)	(46,925)	(104,303)
As at 31 December 2019	163,352	677,174	77,094	108,032	261,457	1,287,109
CARRYING VALUE						
As at 31 December 2019	86,743	151,337	8,823	29,816	106,101	382,820
COST						
As at 1 January 2020	250,095	828,511	85,917	137,848	367,558	1,669,929
Additions	27,600	133,865	4,306	6,064	67,918	239,753
Exchange gains or losses	(70)	(2,100)	(183)	(325)	(1,708)	(4,386)
Disposals/write-off	(543)	(40,225)	(8,233)	(14,149)	(43,593)	(106,743)
As at 31 December 2020	277,082	920,051	81,807	129,438	390,175	1,798,553
ACCUMULATED DEPRECIATION						
As at 1 January 2020	163,352	677,174	77,094	108,032	261,457	1,287,109
Charge for the year	10,570	86,709	2,395	11,731	67,583	178,988
Disposals/write-off	–	(38,876)	(7,981)	(12,826)	(43,593)	(103,276)
As at 31 December 2020	173,922	725,007	71,508	106,937	285,447	1,362,821
CARRYING VALUE						
As at 31 December 2020	103,160	195,044	10,299	22,501	104,728	435,732

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19. LEASES

(a) RIGHT-OF-USE ASSETS

	Buildings
Cost	
As at 1 January 2019	1,487,214
Additions	329,147
Acquisition of subsidiaries	8,993
Deductions	(8,570)
Exchange gains or losses	928
As at 31 December 2019	1,817,712
Accumulated depreciation	
As at 1 January 2019	-
Charge for the year	483,386
Deductions	(5,328)
As at 31 December 2019	478,058
Net book value	
As at 1 January 2019	1,487,214
As at 31 December 2019	1,339,654
Cost	
As at 1 January 2020	1,817,712
Additions	334,809
Deductions	(449,804)
Exchange gains or losses	(15,764)
As at 31 December 2020	1,686,953
Accumulated depreciation	
As at 1 January 2020	478,058
Charge for the year	547,489
Deductions	(216,132)
As at 31 December 2020	764,415
Net book value	
As at 1 January 2020	1,339,654
As at 31 December 2020	922,538

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19. LEASES (continued)

(b) LEASE LIABILITIES

The Group's lease liability is analysed by the maturity date – undiscounted analysis

	Year ended 31 December	
	2020	2019
Less than 1 year	259,750	546,693
Over 1 years	727,488	941,105
Undiscounted lease liability	987,238	1,487,798
Lease liability	913,498	1,336,724

20. GOODWILL

	Goodwill
Gross carrying amount	
As at 1 January 2020	439,539
Exchange gains	(13,085)
As at 31 December 2020	426,454
Accumulated impairment losses	
As at 1 January 2020	–
Impairment losses recognized during the reporting period	–
As at 31 December 2020	–
Net book value	
As at 1 January 2020	439,539
As at 31 December 2020	426,454

Impairment testing on goodwill

Goodwill acquisition through business combination is allocated to the following cash-generating units for impairment testing:

- Securities brokerage business cash-generating unit; and
- CGS-CIMB business cash-generating unit

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20. GOODWILL (continued)

Impairment testing on goodwill (continued)

The carrying amount of goodwill allocated to each of the cash-generating unit is as follows:

	Securities brokerage		CGS-CIMB		Total	
	2020	2019	2020	2019	2020	2019
Carrying amount of goodwill	223,278	223,278	203,176	216,261	426,454	439,539

Assumptions were used in the value in use calculation of the CGUs for 31 December 2020 and 31 December 2019. The following describes each key assumption on which management has based on its cash flow projections to undertake impairment testing of goodwill:

Securities brokerage business cash-generating unit

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 5-year period, such estimation is based on the unit's past performance and management's expectations for the market development, and at a discount rate of 15.91% as at 31 December 2020 (31 December 2019: 15.80%). The cash flows beyond the 5-year period are assumed to remain unchanged. The discount rates used reflect specific risks relating to the CGU.

During the years ended 31 December 2020 and 2019, 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.

CGS-CIMB business cash-generating unit

The Group acquired the CGS-CIMB in April 2019. The Group recognized the excess of acquisition cost over the fair value of the net identifiable assets acquired as the goodwill.

Assumptions were used in the value in use calculation of the CGUs for 31 December 2020 and 2019. The recoverable amount of the CGUs is based on the present value of expected future cash flows, which was determined on financial forecasts approved by management covering an seven-year period and a pre-tax discount rate of 12.50% (2019: 12.50%), which reflected specific risks related to the CGUs. The cash flows beyond the seven-year budget period were extrapolated using an estimated long-term growth rate of 2% (2019:2%), which does not exceed the long-term average growth rate for the business in which the CGUs operate. Other major assumptions for the recoverable amount estimation relate to the estimation of cash inflows/outflows which include budgeted income and profit margins. Such estimation is based on the CGUs' past performance and management's expectations for the market development.

For the purpose of impairment testing, CGS-CIMB is considered as a CGU as a whole from the perspective of the directors of the Group. No impairment was provided at 31 December 2020 and 2019.

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21. OTHER INTANGIBLE ASSETS

	Trading rights	Trademark	Computer software and others	Total
COST				
As at 1 January 2019	303,910	–	361,464	665,374
Additions	–	7,784	68,527	76,311
Acquisition of subsidiaries	1,573	–	117,379	118,952
Exchange gains or losses	48	68	(22,203)	(22,087)
Disposals/write-off	–	–	(9,960)	(9,960)
As at 31 December 2019	305,531	7,852	515,207	828,590
ACCUMULATED AMORTIZATION				
As at 1 January 2019	–	–	273,707	273,707
Charge for the year	–	1,668	64,999	66,667
Disposals/write-off	–	–	(5,322)	(5,322)
As at 31 December 2019	–	1,668	333,384	335,052
CARRYING VALUE				
As at 31 December 2019	305,531	6,184	181,823	493,538
COST				
As at 1 January 2020	305,531	7,852	515,207	828,590
Additions	69	–	133,350	133,419
Exchange gains or losses	(546)	–	901	355
Disposals/write-off	–	(2,947)	(81,551)	(84,498)
As at 31 December 2020	305,054	4,905	567,907	877,866
ACCUMULATED AMORTIZATION				
As at 1 January 2020	–	1,668	333,384	335,052
Charge for the year	–	2,181	82,025	84,206
Disposals/write-off	–	–	(66,493)	(66,493)
As at 31 December 2020	–	3,849	348,916	352,765
CARRYING VALUE				
As at 31 December 2020	305,054	1,056	218,991	525,101

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

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21. OTHER INTANGIBLE ASSETS (continued)

Impairment testing on intangible assets with indefinite useful lives

The trading rights and trademark 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. These intangible assets will not be amortized until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. They 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 was no impairment of the trading rights as at 31 December 2020 and 2019.

22. INTEREST IN A JOINT VENTURE

(1) Details of the Group's investment in a joint venture are as follows:

	As at 31 December 2020	As at 31 December 2019
As at 1 January	1,320,136	876,823
Cost of investment in a joint venture	9,164	1,276,265
Share of post-acquisition profits and other comprehensive income	60,639	17,294
Disposals	–	(859,340)
Exchange adjustments and other	(81,766)	9,094
	1,308,173	1,320,136

(2) Details of the Group's joint venture at the end of the reporting period are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group 31/12/2020	Proportion of voting rights held by the Group 31/12/2020	Principal activities
CGS-CIMB Holdings Sdn. Bhd.	Malaysia	Malaysia	50.00%	50.00%	Securities and futures broking, securities margin trading and research
China Securities Lize Real Estate (Beijing) Co., Ltd*	China	China	34.16%	34.16%	Real estate development and property management
Gansu Jingning Galaxy Development Fund Co., Ltd.*	China	China	1.00%	33.33%	Equity investment and project investment

* The joint venture does not have an official English name.

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23. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2020	As at 31 December 2019
Non-current		
Debt securities	12,920,158	–
Equity securities	7,701	–
Funds	2,801,139	–
Trust schemes	–	115,290
Other investments (a)	6,565,041	2,224,542
	22,294,039	2,339,832
Current		
Debt securities	36,613,904	47,983,207
Equity securities	14,644,360	5,802,802
Funds	12,507,529	10,699,749
Structured deposits and wealth management products	2,883,160	2,548,066
Trust schemes	43,964	432,141
Other investments (a)	2,838,125	3,440,857
Add: Interest receivables	821,929	792,465
	70,352,971	71,699,287

- (a) The balance mainly represents investments in: (i) collective asset management schemes issued and managed by the Group, whereby the Group's interest in and exposure to them are not significant, (ii) targeted asset management schemes (or trust investments) managed by non-bank financial institutions, which mainly invest in debt securities, publicly traded equity securities listed in the PRC, funds and loans, (iii) limited partnerships managed by non-bank financial institutions, which mainly invest in unlisted enterprises, (iv) equity investments in unlisted enterprises, and (v) perpetual bond.

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24. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December 2020	As at 31 December 2019
Non-current		
Analyzed by collateral type:		
Equity securities	12,048,508	13,622,331
Less: Impairment	(12,713)	(13,331)
	12,035,795	13,609,000
Analyzed by market of collateral:		
Stock exchanges	12,035,795	13,609,000
Current		
Analyzed by collateral type:		
Equity securities	11,588,253	14,743,573
Debt securities	8,704,122	2,344,731
Funds	–	–
Add: Interest receivable	106,434	92,280
Less: Impairment	(571,533)	(351,500)
	19,827,276	16,829,084
Analyzed by market of collateral:		
Stock exchanges	19,827,276	16,829,084

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

	Year ended 31 December	
	2020	2019
At the beginning of the year	364,831	114,762
Impairment losses recognized, net of reversal (Note 14)	214,460	254,129
Others	4,955	(4,060)
At the end of the year	584,246	364,831

Details of impairment assessment are set out in Note 57.

As at 31 December 2020, the fair values of collateral received by the Group were approximately RMB90,196 million (31 December 2019: RMB83,049 million).

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25. DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December 2020	As at 31 December 2019
Non-current		
Debt securities	85,272	100,053
Current		
Debt securities	51,159,260	22,416,030
Add: Interest receivable	885,700	501,407
	52,044,960	22,917,437

The movements in the allowance for impairment of debt instruments measured at fair value through other comprehensive income are set out below:

	Year ended 31 December	
	2020	2019
At the beginning of the year	98,339	28,522
Impairment losses recognized, net of reversal (Note 14)	108,491	69,817
At the end of the year	206,830	98,339

Details of impairment assessment are set out in Note 57.

26. EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December 2020	As at 31 December 2019
Non-current		
Perpetual bonds	25,687,191	11,350,447
Equity investments ⁽²⁾	8,181,000	7,998,645
	33,868,191	19,349,092

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26. EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

	As at 31 December 2020	As at 31 December 2019
Current		
Equity investments ⁽²⁾	–	156
	–	156

- (1) These equity instruments are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies. At the date of initial application of IFRS 9, the Group elected to present in OCI the subsequent changes in fair value of these investments previously classified as available-for-sale financial assets carried at fair value under IAS 39.
- (2) As at 31 December 2020, the cost and fair value of the Company's investment managed by CSFCL were RMB7,800 million and RMB8,181 million, respectively.
- (3) Because the issuer exercised the right of redemption, the Group disposed equity instruments measured at fair value through other comprehensive income of RMB1,761 million. RMB0.81 million of other comprehensive income transferred into retained earnings. (2019: the Group did not dispose of any investment in a perpetual bond.)

27. DEBT INSTRUMENTS MEASURED AT AMORTIZED COST

	As at 31 December 2020	As at 31 December 2019
Non-current		
Debt securities ⁽¹⁾	3,885,905	4,326,289
Less: Impairment	(112,842)	(11,946)
	3,773,063	4,314,343
Current		
Debt securities ⁽¹⁾	1,796,033	588,173
Others	165,482	75,259
Add: Interests receivable	61,873	59,854
Less: Impairment	(7,199)	(6,333)
	2,016,189	716,953

- (1) As at 31 December 2020, the interest rates on these debt securities are between 3.12%-7.45% per annum. (31 December 2019: 3.12%-7.45% per annum).
- (2) The movements in the allowance for impairment of debt instruments measured at amortized cost are set out below:

	Year ended 31 December	
	2020	2019
At the beginning of the year	18,279	8,946
Impairment losses recognized, net of reversal (Note 14)	101,947	9,333
Exchange difference and others	(185)	–
At the end of the year	120,041	18,279

Details of impairment assessment are set out in Note 57.

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28. OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December 2020	As at 31 December 2019
Non-current		
Prepayments	1,133,631	1,088,840
Others	178,836	17,759
	1,312,467	1,106,599
Current		
Prepaid taxes	18,964	5,101
Interest receivable	25,883	19,138
Prepayments	251,967	192,049
Assets disposal receivable	–	40,000
Margin financing clients receivable	202,967	256,764
Inventories	1,035,476	810,304
Customer deposits	613,546	123,405
Others	811,556	698,128
Subtotal	2,960,359	2,144,889
Less: Impairment	(260,745)	(302,890)
Total	2,699,614	1,841,999

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

	Year ended 31 December	
	2020	2019
At the beginning of the year	302,890	307,816
Impairment losses recognized, net of reversal (Note 14)	16,059	67,247
Amounts written off	–	(52,195)
Exchange difference and others	(58,204)	(19,978)
At the end of the year	260,745	302,890

Details of the impairment assessment are set out in Note 57.

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29. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS

	As at 31 December 2020	As at 31 December 2019
Non-current		
Deposits with stock exchanges	208,839	107,648
Deposits with futures and commodity exchanges	4,087	17,031
Guarantee fund paid to the Shenzhen Stock Exchange	188,193	111,913
Others	707,291	236,171
	1,108,410	472,763
Current		
Deposits with futures and commodity exchanges	13,867,770	10,061,335
Deposits with CSFCL	1,217,866	201,158
	15,085,636	10,262,493

30. DEFERRED TAXATION

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

	As at 31 December 2020	As at 31 December 2019
Deferred tax assets	69,192	99,832
Deferred tax liabilities	191,231	261,392
	(122,039)	(161,560)
	Year ended 31 December	
	2020	2019
Net deferred income tax assets, at the beginning of the period	(161,560)	467,358
Recognized in profit or loss	(34,175)	(510,975)
Recognized in other comprehensive income	73,696	(152,558)
Deferred taxes acquire in business combinations	-	34,615
Net deferred income tax liabilities/assets, at the end of the period	(122,039)	(161,560)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes, if any, and the taxes are to be levied by the same tax authority, and of the same taxable entity.

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30. DEFERRED TAXATION (continued)

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

	Changes in fair value of financial assets at fair value through profit or loss	Changes in fair value of financial assets at FVTOCI	Accrued staff costs	Allowance for impairment losses	Accrued interest expenses	Accrued expenses	Changes in fair value of derivative instruments	Accrued interest income	Others	Total
As at 1 January 2019	275,231	(51,866)	310,036	150,701	570,037	15,424	(30,966)	(768,637)	(2,602)	467,358
(Charge)/credit to profit or loss	(480,755)	-	(78,984)	76,371	(4,071)	6,891	70,273	(80,695)	(20,005)	(510,975)
Charge to other comprehensive income	-	(152,558)	-	-	-	-	-	-	-	(152,558)
Reclassified from other comprehensive income to retained profits	-	-	12,781	2,301	-	-	-	-	19,533	34,615
As at 31 December 2019	(205,524)	(204,424)	243,833	229,373	565,966	22,315	39,307	(849,332)	(3,074)	(161,560)
(Charge)/credit to profit or loss	(206,234)	-	(7,472)	112,317	(28,706)	23,998	226,427	(151,076)	(3,429)	(34,175)
Credit to other comprehensive income	-	73,696	-	-	-	-	-	-	-	73,696
As at 31 December 2020	(411,758)	(130,728)	236,361	341,690	537,260	46,313	265,734	(1,000,408)	(6,503)	(122,039)

- (1) At the end of the reporting period, the Group has unrecognized deductible temporary differences of approximately RMB116 million (31 December 2019: RMB116 million) as at 31 December 2020, as it is not probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilized.)

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31. ADVANCES TO CUSTOMERS

	As at 31 December 2020	As at 31 December 2019
Non-current		
Loans to margin clients	–	129,213
Other loans and advances	19,726	70,022
	19,726	199,235
Current		
Loans to margin clients	79,335,879	55,471,007
Other loans and advances	663,569	1,139,634
Add: Interest receivable	2,191,577	2,042,685
Less: Impairment	(192,304)	(131,242)
	81,998,721	58,522,084

- (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 47, the Group also receive securities collaterals with fair value of RMB299,235 million (31 December 2019: RMB173,528 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 2020 and 2019, 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.

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 advance to customers based on the evaluation of collectability and on management's judgment including the assessment of change in credit quality and collateral.

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31. ADVANCES TO CUSTOMERS (continued)

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

	Year ended 31 December	
	2020	2019
At the beginning of the year	131,242	101,695
Impact of acquisition of subsidiaries	–	7,335
Impairment losses recognized, net of reversal (Note 14)	41,340	(3,944)
Amounts written off	(29,624)	–
Exchange difference and others	49,346	26,156
At the end of the year	192,304	131,242

Details of impairment assessment are set out in Note 57.

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

32. ACCOUNTS RECEIVABLE

	As at 31 December 2020	As at 31 December 2019
Accounts receivable of:		
Client securities settlement	5,440,679	2,051,576
Brokers and dealers	4,701,809	1,019,158
Clearing house	1,468,273	1,611,298
Underwriting and sponsors fee	172,042	180,803
Trading rights rental commission	103,784	49,437
Asset management and funds distribution handling fees	259,603	210,441
Others	199,711	122,412
Subtotal	12,345,901	5,245,125
Less: Impairment	(130,831)	(128,287)
Total	12,215,070	5,116,838

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32. ACCOUNTS RECEIVABLE (continued)

An aging analysis of accounts receivable is as follows:

	As at 31 December 2020	As at 31 December 2019
Within 1 year	12,089,535	4,976,822
Between 1 and 2 years	35,946	42,448
Between 2 and 3 years	24,832	20,637
Over 3 years	64,757	76,931
	12,215,070	5,116,838

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

	Year ended 31 December	
	2020	2019
At the beginning of the year	128,287	83,291
Impact of acquisition of subsidiaries	–	33,588
Impairment losses recognized, net of reversal (Note 14)	13,637	11,493
Amounts written off	(8,273)	(2,740)
Exchange difference and others	(2,820)	2,655
At the end of the year	130,831	128,287

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.

Details of impairment assessment are set out in Note 57.

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33. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2020			As at 31 December 2019		
	Nominal amounts	Asset	Liability	Nominal amounts	Asset	Liability
Hedging instruments:						
Currency forward	183,575	2,870	–	1,125	62	1,063
Commodity forward	286,719	15,530	5,680			
Non-hedging instruments:						
Equity Derivatives	39,179,413	628,799	1,260,784	83,028,950	198,589	468,729
Interest Rate Derivatives	286,434,186	2,609	197,113	106,300,000	–	–
Other derivatives	78,120,639	219,693	509,835	34,372,223	9,852	–
Total	404,204,532	869,501	1,973,412	223,702,298	208,503	469,792

- (1) Under the daily mark-to-market and settlement arrangement, stock index futures, interest rate swap, treasury bond futures and commodity futures were settled daily and the corresponding receipts and payments were included in clearing settlement funds.

34. CLEARING SETTLEMENT FUNDS

	As at 31 December 2020	As at 31 December 2019
Clearing settlement funds held with clearing houses for:		
– House accounts	5,222,885	1,756,699
– Clients accounts	12,316,799	9,485,072
Add: Interest receivable	44,172	34,704
Total	17,583,856	11,276,475

These clearing settlement funds are held by the clearing houses for the Group and these balances carry interest at prevailing market interest rates.

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35. BANK BALANCES

	As at 31 December 2020	As at 31 December 2019
House accounts	15,743,453	9,888,277
Cash held on behalf of customers	76,851,885	60,281,957
Add: Interest receivable	132,216	159,042
	2,727,554	70,329,276

Bank balances comprise time and demand deposits at banks which bear interest at the prevailing market rates.

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 44).

As at 31 December 2020, the ECL allowance for bank balances amounted to RMB3.64 million.

Details of impairment assessment are set out in Note 57.

36. SHARE CAPITAL

The Company's number of shares and nominal value are as follows:

	As at 31 December 2020	As at 31 December 2019
Issued and fully paid ordinary shares of RMB1 each (in thousands)		
Domestic shares	6,446,274	6,446,274
H shares	3,690,985	3,690,985
	10,137,259	10,137,259
Share capital (in RMB'000)		
Domestic shares	6,446,274	6,446,274
H shares	3,690,985	3,690,985
	10,137,259	10,137,259

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37. OTHER EQUITY INSTRUMENTS

	As at 31 December 2020	As at 31 December 2019
Perpetual subordinated bonds	4,962,172	–
	4,962,172	–

On 24 November 2020, the company issued RMB5 billion perpetual subordinated bonds (“20 Yinhe Y1”) at par, with a coupon rate of 4.80%. The bonds are redeemable or repayable at the company’s option at the end of each repricing period, which is every 5 years. There is no redemption option for the holders of the bonds.

The coupon rate for the perpetual subordinated bonds is fixed in the first 5 years and will be repriced every 5 years. The coupon rate will be repriced as the sum of the current basis rate, the initial spread, and an additional 300 basis points. The repriced coupon rate will remain unchanged in the next 5 years. The current basis rate is defined as the average yields of 5 years treasury bonds from the interbank fixed rate bond yield curve published on China Bond website 5 working days before the interest repricing date.

The issuer has the right to defer interest payments, unless “Mandatory interest payments events” have been triggered, so that at each interest payment date, the issuer may choose to defer the current interest payment, as well as any previously deferred interest payments and accreted interests thereon, to the next payment date, without being subject to any limitation with respect to the number of deferrals. Mandatory interest payment events are only triggered when there are distributions of dividends to ordinary equity holders or reductions of registered capital.

The perpetual subordinated bonds issued by the Company are classified as equity instruments and presented under equity in the Group’s statement of financial position.

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38. 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 face value and the difference between the considerations of the acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets. As at December 31 2020, the amount attributable to the owners of the company is RMB25,227.34 million (December 31 2019: 25,022.90 million).

(b) Investment revaluation reserve

The investment revaluation reserve represents cumulative gains and losses arising on the revaluation of equity instruments at FVTOCI, debt instruments at FVTOCI and AFS investments that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those equity instruments at FVTOCI and debt instruments at FVTOCI are disposed of or are determined to be impaired. As at December 31 2020, the amount attributable to the owners of the company is RMB 392.19 million (December 31 2019: 613.28 million).

(c) Cash flow hedging reserve

The cash flow hedging reserve represents the cumulative effective portion of gains and losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain and loss arising on changes in fair value of the hedging instrument that are recognized and accumulated under the cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy. As at December 31 2020, the amount attributable to the owners of the company is nil (December 31 2019: 0.33 million).

(d) Translation reserve

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and the income and expenses are translated at the average exchange rates or at the approximate exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in the translation reserve. As at December 31 2020, the amount attributable to the owners of the company is RMB14.78 million (December 31 2019: 259.84 million).

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38. RESERVES AND RETAINED PROFITS (continued)

(e) General reserves

General reserves comprise of the statutory surplus reserve, discretionary surplus reserve, reserve for general risk and transaction risk reserve. As at December 31 2020, the amount attributable to the owners of the company is RMB18,254.58 million (December 31 2019: 16,017.02 million)

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 surplus 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 surplus 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 surplus 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 surplus reserve, the reserve for general risk and the transaction risk reserve.

Out of the Group's retained profits, an amount of RMB294.26 million as at 31 December 2020 (31 December 2019: RMB200.45 million) represents the Company's share of its subsidiaries' statutory surplus reserve which cannot be used for profit distribution.

(f) Distributable profits

In accordance with the relevant regulations, the distributable profits of the Company are 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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39. BONDS PAYABLE

As at 31 December 2020 and 2019, bonds payable comprised 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 2020 Carrying amount	31 December 2019 Carrying amount
1 June 2016	1 June 2021	3.35%	–	610,425
23 August 2016	23 August 2021	3.14%	–	1,006,606
16 January 2018	17 January 2021	5.65%	–	1,578,676
9 February 2018	12 February 2021	5.70%	–	1,048,738
14 March 2018	14 March 2021	5.15%	–	2,596,015
18 April 2018	19 April 2021	5.30%	–	3,314,386
24 October 2018	25 October 2021	4.48%	–	5,030,725
14 December 2018	17 December 2021	4.28%	–	1,499,022
29 January 2019	30 January 2022	4.05%	4,144,541	4,139,064
26 February 2019	27 February 2022	4.20%	3,516,258	3,511,590
7 March 2019	11 March 2021	4.10%	–	3,299,354
7 March 2019	11 March 2022	4.25%	3,512,590	3,507,918
14 January 2020	14 January 2022	3.65%	1,033,413	–
14 January 2020	14 January 2023	3.75%	4,135,006	–
17 February 2020	17 February 2022	3.15%	3,281,556	–
17 February 2020	17 February 2023	3.25%	1,846,410	–
11 March 2020	11 March 2022	2.88%	4,084,617	–
11 March 2020	11 March 2023	3.03%	1,021,847	–
29 July 2020	29 July 2022	3.50%	3,036,386	–
29 July 2020	29 July 2023	3.72%	3,038,264	–
23 October 2020	23 October 2023	3.70%	3,016,099	–
27 November 2020	27 November 2022	3.80%	4,007,657	–
			39,674,644	31,142,519

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39. BONDS PAYABLE (continued)

Current

Issue date	Maturity date	Coupon rate	As at	As at
			31 December 2020 Carrying amount	31 December 2019 Carrying amount
4 February 2015	4 February 2020	4.80%	–	1,043,279
27 April 2017	28 April 2020	4.99%	–	4,878,855
10 July 2017	10 July 2020	4.55%	–	5,102,786
18 September 2017	18 September 2020	4.69%	–	4,047,259
16 January 2018	17 January 2020	5.55%	–	3,685,735
9 February 2018	12 February 2020	5.60%	–	1,259,232
18 April 2018	19 April 2020	5.20%	–	828,914
23 May 2018	24 May 2020	5.38%	–	5,676,512
18 April 2018	19 April 2021	5.30%	3,318,411	–
7 March 2019	11 March 2021	4.10%	3,305,751	–
16 January 2018	17 January 2021	5.65%	1,581,267	–
9 February 2018	12 February 2021	5.70%	1,050,466	–
14 March 2018	14 March 2021	5.15%	2,602,305	–
1 June 2016	1 June 2021	3.35%	611,385	–
23 August 2016	23 August 2021	3.14%	1,009,606	–
24 October 2018	25 October 2021	4.48%	5,037,628	–
14 December 2018	17 December 2021	4.28%	1,500,908	–
			20,017,727	26,522,572

All of these bonds are denominated in RMB.

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40. DEBT INSTRUMENTS

	As at 31 December 2020 Carrying Amount	As at 31 December 2019 Carrying Amount
Non-current		
Structured notes ⁽³⁾	787,081	1,433,758
Total	787,081	1,433,758
Current		
Corporate short-term bonds ⁽¹⁾	16,597,054	–
Short-term financing bills ⁽²⁾	18,077,082	8,023,543
Structured notes ⁽³⁾	18,802,217	13,967,102
Derivative debenture	–	593,382
Total	53,476,353	22,584,027

(1): Corporate short-term bonds

The details of corporate short-term bonds as at 31 December 2020 are as follows:

Name	Issue amount RMB'000	Value date	Maturity date	Coupon rate
20 CGS F5	4,000,000	17 July 2020	17 July 2021	3.28%
20 CGS S1	3,500,000	31 August 2020	31 August 2021	3.04%
20 CGS S2	2,000,000	23 October 2020	23 October 2021	3.17%
20 CGS S3	2,000,000	27 November 2020	27 November 2021	3.58%
20 CGS S4	3,000,000	24 December 2020	23 September 2021	3.10%
20 CGS S5	2,000,000	24 December 2020	24 December 2021	3.12%

(2): Short-term financing bills

The details of short-term financing bills as at 31 December 2020 are as follows:

Name	Issue amount RMB'000	Value date	Maturity date	Coupon rate
20 CGS CP012	4,000,000	16 October 2020	14 January 2021	2.90%
20 CGS CP013	4,000,000	28 October 2020	26 January 2021	2.98%
20 CGS CP014	3,000,000	11 November 2020	09 February 2021	3.08%
20 CGS CP015	4,000,000	25 November 2020	24 February 2021	3.30%
20 CGS CP016	3,000,000	11 December 2020	11 March 2021	2.95%

(3): Structured notes

Structured notes are a special type of financing allowed by CSRC.

As at 31 December 2020, for Structured notes issued by the Company, their coupon rates are from 1.60% to 10.24% (31 December 2019: 2.65% to 6.66%).

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41. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

(1) Financial liabilities held for trading:

	As at 31 December 2020	As at 31 December 2019
Current		
Equity Securities	1,686,972	–
Debt Securities	716,280	6,798
	2,403,252	6,798

(2) Financial liabilities designated as at fair value through profit or loss:

	As at 31 December 2020	As at 31 December 2019
Non-current		
Equity-linked Financing payables ⁽¹⁾	182,709	–
Structured products embedded with equity swaps ⁽²⁾	–	52,741
	182,709	52,741
Current		
Equity-linked Financing payables ⁽¹⁾	3,116,055	454,649
Gold-linked Financing payables	2,302,254	–
Structured products embedded with equity swaps ⁽²⁾	2,026,477	1,203,894
	7,444,786	1,658,543

(1) Equity-linked Financing payables are financing instruments issued by the Group and its returns to holders are linked to the performance of stock index.

(2) Structured products embedded with equity swaps are payable to the clients at maturity of the corresponding derivatives and its balance is linked to the performance of the corresponding equity swaps.

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42. OTHER PAYABLES AND ACCRUALS

	As at 31 December 2020	As at 31 December 2019
Non-current		
Third-party interests in consolidated structured entities	752,388	466,476
	752,388	466,476
Current		
Third-party interests in consolidated structured entities	–	198,447
Customer trading deposits	4,231,804	406,282
Payables to margin clients	6,083,763	795,661
Payables to other trading clients	5,212,951	386,157
Settlement payable	5,446,484	1,923,726
Value-added tax and other taxes	442,634	313,928
Accrued expenses	411,885	302,371
Sundry payables	36,977	77,734
Payable for the securities investor protection fund	62,253	63,879
Others	739,669	619,527
	22,668,420	5,087,712

43. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2020	As at 31 December 2019
Secured short-term bank loans	–	45,000
Unsecured short-term bank loans ⁽¹⁾	13,540,381	9,896,392
Margin funds loans ⁽²⁾	10,000,000	4,000,000
Add: Interests payable	70,367	11,335
	23,610,748	13,952,727

(1) As at 31 December 2020, the unsecured short-term bank loans bear interest at 1.73%-11.05% per annum and 1-week HIBOR plus 140 to 180 basis points per annum (31 December 2019: 2.31%-4.10% per annum), and are repayable within 1 year (31 December 2019: within 1 month.)

(2) The margin funds loans borrowed by the Group from CSFCL are secured by cash collateral of RMB1,174 million and shares listed in the PRC with a fair value of approximately RMB 2,010 million. These margin funds loans bear interest at 2.50% and 2.80% per annum and are repayable within 3 months and 6 months.

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44. 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 2020, included in the Group's accounts payable to brokerage clients were approximately RMB8,942 million (31 December 2019: RMB6,910 million) received from clients for margin financing and securities lending arrangement.)

45. ACCRUED STAFF COSTS

	As at 31 December 2020	As at 31 December 2019
Salaries, bonus and allowances	3,126,686	2,689,406
Social welfare	16,779	15,820
Annuity schemes	9,829	11,263
Supplementary retirement benefits	384,973	418,018
Early retirement benefits	631	893
Others	175,327	219,329
	3,714,225	3,354,729

Note: Supplementary retirement benefits

Supplementary retirement benefits contain two parts: 1) pensions and medical benefits to qualified employees who retired on or before 31 December 2014 and are still alive at the end of the reporting period; 2) during the year ended 31 December 2020, 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 increases in the present value of the supplementary retirement benefits for employee service in prior periods and the current period were recognized as past service costs and current service costs respectively during the year ended 31 December 2020.

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.

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45. 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	
	2020	2019
Beginning of the year	418,018	345,668
Changes due to acquisition of subsidiary	–	55,151
Amounts charged to profit or loss:		
Current service costs	15,602	13,513
Past service costs	–	(2)
Interest on obligation	14,593	14,993
Benefits paid	(26,980)	(17,307)
Amount credited/(charged to OCI):		
Actuarial losses arising from assumption changes	(34,587)	6,398
Actuarial (gains)/losses from experience adjustments	(3,282)	(2,714)
Exchange difference	1,609	2,318
End of the year	384,973	418,018

Net interest on the net defined benefit plan liability was included in staff costs.

The plans typically expose the Company 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 2020	31 December 2019
	%	%
Discount rates of supplementary retirement benefits	3.70	3.55
Expected rates of increase in benefits	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 2020, the duration of these supplementary retirement benefits was 15.0 (31 December 2019: 18.0).

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45. ACCRUED STAFF COSTS (continued)

Note: Supplementary retirement benefits (Continued)

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation of the Company 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	
		31 December 2020	31 December 2019
Discount rate	-50bps	23,516	28,416
Discount rate	+50bps	(21,131)	(25,310)
Benefit growth rate	-50bps	(14,817)	(15,995)
Benefit growth rate	+50bps	24,319	29,315

46. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December 2020	As at 31 December 2019
Current		
Analyzed by collateral type:		
Debt securities	85,239,622	53,851,967
Funds	-	911,415
Gold	2,799,752	-
Add: Interests payable	74,031	92,272
	88,113,405	54,855,654
Analyzed by market of collateral:		
Stock exchanges	53,915,636	38,951,248
Interbank bond market	31,323,986	15,812,134
Over the counter	2,799,752	-
Add: Interests payable	74,031	92,272
	88,113,405	54,855,654

Financial assets sold under repurchase agreements bear effective interest at 1.62%-5.61% (31 December 2019: 2.00%-4.20% per annum).

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47. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	As at 31 December	
	2020	2019
Bank balances – house accounts	14,185,694	8,743,140
Clearing settlement funds – house accounts	5,222,885	1,756,699
	19,408,579	10,499,839

Cash and cash equivalents do not include bank deposits with original maturity of more than three months held by the Group. As at 31 December 2020, bank deposits with original maturity of more than three months held by the Group were RMB15,252 million (31 December 2019: RMB10,495 million) and there were RMB756 million bank deposits restricted for use (31 December 2019: Nil.)

48. INTERESTS IN STRUCTURED ENTITIES

(a) Structured entities set up and managed by the Group

Structured entities consolidated by the Group include the 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 RMB86 million (31 December 2019: RMB796 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 2020 and 2019, the contributions from the Group to those collective asset management schemes equaled the committed investments and the Group's maximum losses are limited to the carrying amounts of these investments.

As at 31 December 2020, the total assets of the consolidated structured entities are RMB6,949 million (31 December 2019: RMB5,611 million) and the total net assets of the consolidated structured entities are RMB6,903 million (31 December 2019: RMB5,193 million). The carrying amount of third party interests in the consolidated structured entities are RMB752 million (31 December 2019: RMB665 million), and these interests are presented in Note 42.

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 to be significant. The Group therefore considers such decision-making rights are acting as an agent for the investors and hence did not consolidate these structured entities.

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48. INTERESTS IN STRUCTURED ENTITIES (continued)

(a) Structured entities set up and managed by the Group (continued)

The size of unconsolidated structured entities managed by the Group amounted to RMB152,187 million as at 31 December 2020 (31 December 2019: RMB213,017 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 amounted to RMB232 million as at 31 December 2020 (31 December 2019: RMB233 million).

During the year, management fee income and investment gains from the unconsolidated asset management schemes managed by the Group amounted to RMB401 million (31 December 2019: RMB671 million).

(b) Structured entities set up and managed by third party institutions in which the Group holds interests

The types of structured entities that the Group does not consolidate but in which it holds interests 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 2020 and 31 December 2019, which are listed below:

	As at 31 December 2020	As at 31 December 2019
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through profit or loss
Carrying amount of interests held by the Group		
– Funds	15,308,668	10,699,748
– Trust schemes and wealth management products	2,275,769	2,643,098
– Asset management schemes	231,908	232,505
– Others	3,829,094	2,045,673
Total	21,645,439	15,621,024

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49. 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 securities, 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, rights and interests in margin loans transferred. These transferred assets are not derecognized from the consolidated financial statements but regarded as “collateral” for the liabilities because the Group retains substantially all the risks and rewards of these transferred assets.

The proceeds from selling the transferred assets are presented as financial assets sold under repurchase agreements, as disclosed in Note 46. Since the Group transfers contractual rights to receive the cash flows of the securities, it does not have the ability to sell or repledge these transferred assets 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:

	Financial assets measured at fair value through profit or loss	Equity instruments measured at fair value through other comprehensive income	Debt instruments measured at fair value through other comprehensive income	Debt instruments measured at amortized cost	Total
As at 31 December 2020					
Carrying amount of transferred assets	32,740,083	24,430,560	19,860,934	3,360,108	80,391,685
Carrying amount of associated liabilities	(27,193,006)	(20,291,346)	(16,495,941)	(2,790,812)	(66,771,105)
Net position	5,547,077	4,139,214	3,364,993	569,296	13,620,580

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49. TRANSFERS OF FINANCIAL ASSETS (continued)

Repurchase agreements (continued)

	Financial assets measured at fair value through profit or loss	Equity instruments measured at fair value through comprehensive income	Debt instruments measured at fair value through other comprehensive income	Advances to customers	Total
As at 31 December 2019					
Carrying amount of transferred assets	30,798,792	9,225,618	15,067,522	2,360,327	57,452,259
Carrying amount of associated liabilities	(29,406,814)	(8,808,658)	(14,386,532)	(2,253,650)	(54,855,654)
Net position	1,391,978	416,960	680,990	106,677	2,596,605

Securities lending arrangements

The Group entered into securities lending agreements with clients. As at 31 December 2020, it lent out its own equity securities and ETF classified as financial assets measured at fair value through profit or loss of RMB2,515 million (31 December 2019: 165 million). As stipulated in the securities lending agreements, the legal ownership of these equity securities and ETF was 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 of 542 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.

50. CAPITAL COMMITMENTS

	As at 31 December	
	2020	2019
Contracted but not provided for		
Leasehold improvements	125,958	81,318
Property and equipment	16,977	32,322
	142,935	113,640

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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 2020

Name	Fee	Salaries and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive Directors:					
Chen Gongyan	-	1,488	192	1,588	3,268
Chen Liang	-	1,488	180	284	1,952
Wu Chengming	-	1,532	193	737	2,462
Non-executive Directors:					
Liu Dingping ⁽¹⁾	-	-	-	-	-
Wang Zelan ⁽²⁾	-	632	144	1,177	1,953
Xiao Lihong	-	-	-	-	-
Zhang Tianli ⁽³⁾	-	-	-	-	-
Independent Non-executive Director					
Liu Ruizhong	260	-	-	-	260
Liu Chun	260	-	-	-	260
Wang Zhenjun	270	-	-	-	270
Luo Zhuojian ⁽⁴⁾	89	-	-	-	89
Supervisors:					
Chen Jing	-	1,488	190	1,287	2,965
Chen Jijiang	-	682	172	1,339	2,193
Liu Zhiyi ⁽⁵⁾	-	64	15	1,264	1,343
Tao Libin	120	-	-	-	120
Fang Yan	120	-	-	-	120
Fan Minfei ⁽⁶⁾	-	718	175	1,341	2,234

(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 24 December 2020.

(3) Resigned as a non-executive director on 22 September 2020.

(4) Appointed as an independent non-executive director on 29 June 2020.

(5) Resigned as a supervisor on 25 March 2020.

(6) Appointed as a supervisor on 25 March 2020.

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51. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

For the year ended 31 December 2019

Name	Fee	Salaries and allowances	Employer's contribution pension schemes	Bonuses	Total
Executive Directors:					
Chen Gongyan	-	1,450	184	1,397	3,031
Chen Liang ⁽¹⁾	-	725	91	98	914
Gu Weiguo ⁽²⁾	-	615	101	548	1,264
Wu Chengming	-	1,450	209	1,429	3,088
Non-executive Directors:					
Li Chaoyang ⁽³⁾	-	92	342	1,864	2,298
Shi Xun ^{(3) (4)}	-	-	-	-	-
Liu Dingping ⁽⁴⁾	-	-	-	-	-
Wang Zelan ⁽⁵⁾	-	755	232	799	1,786
Xiao Lihong ⁽⁵⁾	-	-	-	-	-
Zhang Tianli ⁽⁵⁾	-	-	-	-	-
Independent Non-executive Director					
Liu Ruizhong	244	-	-	-	244
Liu Chun ⁽⁶⁾	198	-	-	-	198
Luo Lin ⁽⁷⁾	43	-	-	-	43
Wu Yuwu ⁽⁸⁾	91	-	-	-	91
Wang Zhenjun	248	-	-	-	248
Supervisors:					
Chen Jing	-	1,450	215	1,205	2,870
Chen Jijiang	-	597	215	780	1,592
Liu Zhiyi	-	658	221	836	1,715
Tao Libin	120	-	-	-	120
Zhong Cheng ⁽⁹⁾	-	1,873	-	-	1,873
Fang Yan ⁽¹⁰⁾	92	-	-	-	92

(1) Appointed as an executive director on 20 December 2019.

(2) Resigned as an executive director on 28 May 2019.

(3) Resigned as a non-executive director on 26 February 2019.

(4) 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.

(5) Appointed as a non-executive director on 26 February 2019.

(6) Appointed as an independent non-executive director on 26 February 2019.

(7) Resigned as an independent non-executive director on 26 February 2019.

(8) Resigned as an independent non-executive director on 29 May 2019.

(9) Resigned as a supervisor on 26 February 2019.

(10) Appointed as a supervisor on 26 February 2019.

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51. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

The supervisors' emoluments shown above were mainly for their services as supervisors of the Company.

Pursuant to the PRC relevant regulations, a portion of the performance-based bonus for certain executive directors, non-executive directors and supervisors are deferred for a minimum of 3 years contingent upon the future performance.

As of the date of the issuance of these consolidated financial statements, the above compensation packages including performance-based bonus for executive directors, non-executive directors and supervisors for the year ended 31 December 2020 have not been finalized. The management of the Group believes that the difference between the final emoluments and that disclosed above will not have a significant impact on the consolidated financial statements of the Group.

For the years ended 31 December 2020 and 2019, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

52. FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the five highest paid employees during the reporting periods are as follows:

	Year ended 31 December	
	2020	2019
Basic salaries and allowances	7,435	5,800
Bonuses	6,144	8,880
Employer's contribution to pension schemes	948	792
	14,527	15,472

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 2020 and 2019.

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52. FIVE HIGHEST PAID INDIVIDUALS (continued)

The number of the highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December	
	2020 No. of employees	2019 No. of employees
Emolument bands		
– HKD3,000,001 to HKD3,500,000	1	4
– HKD3,500,001 to HKD4,000,000	3	1
– HKD4,000,001 to HKD4,500,000	–	–
– HKD4,500,001 to HKD5,000,000	–	–
– HKD5,000,001 to HKD5,500,000	–	–
– HKD6,000,001 to HKD6,500,000	–	–
– HKD10,000,001 to HKD10,500,000	–	–
	4	5

53. RELATED PARTY TRANSACTIONS

(a) Transactions and balances with governmental related entities operated in the PRC

(1) Immediate holding company and its fellow 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 5,187,196,364 shares (31 December 2019: 5,187,196,364 shares), representing 51.17% of the entire equity interest of the Company as at 31 December 2020 (31 December 2019: 51.17%). The shareholders of Galaxy Financial Holdings are Central Huijin Investment Ltd. (“Central Huijin”) with 69.07% equity interest, the Ministry of Finance (the “MOF”) with 29.32% equity interest and the National Council for Social Security Fund (the “SSF”) with 1.61% 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.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies.

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53. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions and balances with governmental related entities operated in the PRC (continued)

(1) Immediate holding company and its fellow subsidiaries (continued)

The SSF is a government agency at the ministerial level directly under the State Council of the PRC, primarily responsible for the management and operation of National Social Security Fund.

During the years ended 31 December 2020 and 2019, 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 2020	As at 31 December 2019
Accounts receivable	2,504	8,807
Accounts payable to brokerage clients	54,646	309,568
Financial assets measured at fair value through profit or loss	511,810	511,810
Right-of-use assets	25,569	357,526
Lease liabilities	25,454	362,637

	Year ended 31 December	
	2020	2019
Commission and fee income	62,914	56,189
Other income and gains	–	1,597
Interest expenses	1,058	25,756
Rental expenses paid or payable	157,745	139,205

During the year ended 31 December 2020, accounts payable to brokerage clients from Galaxy Financial Holdings amount to RMB0.02 million (31 December 2019: RMB201 million).

The Group's housing rental expenditure to Galaxy Investment was RMB158 million for the period ended 31 December 2020 (2019: RMB139 million).

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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 the Central Huijin Group

	Year ended 31 December	
	2020	2019
Commission and fee income	137,235	50,755
Interest income from banks and other financial institutions within the Central Huijin Group	1,035,997	124,082
Investment gains of equity and debt securities issued by banks and other financial institutions within the Central Huijin Group	57,821	115,713
Interest expenses to brokerage clients within the Central Huijin Group	132,681	157,609
Other operating expenses	1,714	746

The Group’s material balances with the Central Huijin Group

	As at	As at
	31 December 2020	31 December 2019
Equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group classified as		
– financial assets measured at FVTOCI	2,445,704	150,608
– financial assets measured at FVTPL	1,174,435	2,782,844
Bank balances deposited with banks within the Central Huijin Group	42,547,077	44,177,987
Derivative financial assets	5,833	–
Derivative financial liabilities	505,903	652
Accounts receivable	6,984	–
Due to banks and other financial institutions	2,040,038	2,249,354
Accounts payable to brokerage clients within the Central Huijin Group	483,349	178,112
Other payables and accruals	80,471	997
Financial assets sold under repurchase agreements	11,806,268	2,188,960

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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, purchase and sales of government bonds, and equity and debt securities issued by other government-related entities. These transactions are entered into under normal commercial terms and conditions. At the end of the reporting period, the Group holds such investments in equity and debt securities and has balances with these government-related entities including accounts payable to brokerage clients.

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

(1) Other related parties which have transactions with the Group are as follows:

Name	Relationship
E-Capital Transfer Co., Ltd. ("E-Capital Transfer") 證通股份有限公司	Note
China Securities Lize Real Estate (Beijing) Co., Ltd. ("China Securities Lize Real Estate") 中證麗澤置業(北京)有限責任公司	Joint venture

Note: Mr. Wu Chengming serves as the Company's board secretary from August 2012 and also as the director of E-Capital Transfer from June 2018.

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53. RELATED PARTY TRANSACTIONS (continued)

(b) Other related parties (continued)

(1) Other related parties which have transactions with the Group are as follows (continued):

The Group's material transactions with other related parties

Expenses paid or payable to

	Year ended 31 December	
	2020	2019
E-Capital Transfer	550	218

Financial assets measured at fair value through profit or loss

	As at 31 December	
	2020	2019
E-Capital Transfer	43,789	–

Other receivables and prepayments

	As at 31 December	
	2020	2019
China Securities Lize Real Estate	1,133,631	–

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53. RELATED PARTY TRANSACTIONS (continued)

(b) Other related parties (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 2020 and 2019 comprises:

	Year ended 31 December	
	2020	2019
Salaries, allowances, bonuses, social welfare and annuity scheme contribution	34,490	39,770

54. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December	
	2020	2019
Financial assets		
Financial assets at amortized cost	259,805,088	192,432,159
– Debt instruments measured at amortized cost	5,789,252	5,031,296
– Financial assets held under resale agreements	31,863,071	30,438,084
Deposits with exchanges and non-bank financial institutions	16,194,046	10,735,256
– Bank balances	92,727,554	70,329,276
– Advances to customers	82,018,447	58,721,319
– Accounts receivable	12,215,070	5,116,838
– Other financial assets	1,413,792	783,615
– Clearing settlement funds	17,583,856	11,276,475
Debt instruments measured at fair value through other comprehensive income	52,130,232	23,017,490
Equity instruments measured at fair value through other comprehensive income	33,868,191	19,349,248
Financial assets measured at fair value through profit or loss (FVTPL)	92,647,010	74,039,119
– Mandatorily measured at FVTPL	92,647,010	74,039,119
Derivative financial assets	869,501	208,503

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54. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments (continued)

	As at 31 December	
	2020	2019
Financial liabilities		
Financial liabilities at amortized cost	345,531,665	235,620,430
– Bonds payable	59,692,371	57,665,091
– Debt instruments	54,263,434	24,017,785
– Other financial liabilities	22,180,789	4,620,313
– Accounts payable to brokerage clients:	97,679,919	80,508,860
– Due to banks and other financial institutions	23,610,747	13,952,727
– Financial assets sold under repurchase agreements	88,113,405	54,855,654
Financial liabilities held for trading	2,403,252	6,798
Financial liabilities measured at fair value through profit or loss	7,627,495	1,711,284
Derivative financial liabilities	1,973,412	469,792

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

Type of financial assets	As at 31 December 2020					
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Accounts receivable from clearing house and brokers ⁽¹⁾	10,617,481	(790,926)	9,826,555	(177,851)	(7,839,430)	1,809,274
Total	10,617,481	(790,926)	9,826,555	(177,851)	(7,839,430)	1,809,274

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55. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(a) Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements (continued)

As at 31 December 2019

Type of financial assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
		consolidated statement of financial position	the consolidated statement of financial position	Financial* instruments	Cash collateral received	
Accounts receivable from clearing house and brokers ⁽¹⁾	2,916,848	(595,325)	2,321,523	(2,321,523)	-	-
Total	2,916,848	(595,325)	2,321,523	(2,321,523)	-	-

* These represent the market values of shares pledged by customers which are capped at the outstanding balances of the respective customers.

(b) Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

As at 31 December 2020

Type of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
		consolidated statement of financial position	the consolidated statement of financial position	Financial instruments	Cash collateral pledged	
Accounts payable to clearing house and brokers ⁽¹⁾	18,705,480	(790,926)	17,914,554	(177,851)	-	17,736,703
Total	18,705,480	(790,926)	17,914,554	(177,851)	-	17,736,703

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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 (continued)

As at 31 December 2019

Type of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
Accounts payable to clearing house and brokers ⁽¹⁾	2,923,275	(595,325)	2,327,950	(2,327,950)	-	-
Total	2,923,275	(595,325)	2,327,950	(2,327,950)	-	-

Notes:

- (1) 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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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	Debt instruments	Due to banks and other financial institutions	Dividends payable
At 31 December 2019	57,665,091	24,017,785	5,775,420	–
Financing cash flows	(745,469)	29,320,946	1,893,523	(1,621,961)
Non-cash changes:				
Interest expenses	2,772,749	924,703	324,550	–
Dividends declared				1,621,961
At 31 December 2020	59,692,371	54,263,434	7,993,493	–

	Bonds payable	Debt instruments	Due to banks and other financial institutions	Dividends payable
At 31 December 2018	69,729,006	16,532,869	3,010,779	–
Financing cash flows	(15,757,213)	7,077,300	553,530	(912,353)
Acquisition of subsidiaries	–	–	2,209,868	–
Non-cash changes:				
Interest expenses	3,693,298	407,616	1,243	–
Dividends declared	–	–	–	912,353
At 31 December 2019	57,665,091	24,017,785	5,775,420	–

The ending balances as at 31 December 2020 and 2019 shown above excluded certain amounts from due to banks and other financial institutions and interest accrued on them 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 involving the Board of Directors, the Supervisory Committee and the management as the major bodies of the comprehensive risk management system and according to the "three lines of defense" lays down the foundation of risk management, incorporates risk management of subsidiaries in a 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, Compliance and Risk Management Committee and Audit Committee. The Supervisory Committee 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 the management of specific risks and compliance management. Risk Management Department, Legal and Compliance Department, Financial Management Department, Capital Management Departments, 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.

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(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (continued)

57.1 Credit risk

Credit risk is the risk of loss due to failures or inability to fulfil obligations by counterparties, or the downgrade of credit rating of them. The Group's financial assets exposed to credit risk mainly include advances to customers, accounts receivable, other financial assets, financial assets measured at amortized cost, financial assets measured at FVTOCI, financial assets held under resale agreements, financial assets measured at FVTPL, deposits with exchanges and non-bank financial institutions, clearing settlement funds and bank balances. Taking no account of collateral or other credit enhancements, the maximum credit exposure of financial assets to the extent exposed to credit risk approximates to their carrying amount at the reporting date.

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 to be 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, except for investments in short-term bonds with rating of A-1, which represents the highest rating of the short-term bonds, 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, interest 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 2020 and 2019, the collateral ratios of most of the Group's margin clients were above 130%.

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 2020, 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 2020, the total amount of the securities (both the Group's own securities and securities borrowed by the Group) lent to clients was RMB6,637 million (31 December 2019: RMB355 million).

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(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (continued)

57.1 Credit risk (continued)

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

Impairment under the ECL model

Since 1 January 2018, the Group has recognized a loss allowance for ECLs on financial assets which are subject to impairment under IFRS 9 using the ECL models, including debt instruments measured at FVTOCI or amortized cost, advances to customers, accounts receivable, other receivables, financial assets held under resale agreements, deposits with exchanges and non-bank financial institutions, clearing settlement funds and bank balances. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition.

The key inputs used for measuring ECLs based on the “probability of default” approach are the probability of default (PD), loss given default (LGD) and exposure at default (EAD); or, based on the loss rate approach, the key input is the loss rate. These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

Significant increase in credit risk

Except for accounts receivable without significant financing component which are always measured on the lifetime ECL basis, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life;
- an actual or expected significant change in the financial instrument’s external credit rating;
- an actual or expected internal credit rating downgrade for the borrower;

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(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (continued)

57.1 Credit risk (continued)

Significant increase in credit risk (continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations;
- an actual or expected significant change in the operating results of the borrower;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- an actual or expected significant change in the quality of credit enhancement; and
- significant changes in the expected performance and behaviour of the borrower.

Internal credit risk ratings

The Group has developed internal credit rating models and functional internal credit rating systems based on the characteristics of different industries and target customer bases, to perform rating for borrowers or bond issuers. The Group gradually apply the internal credit rating results to business authorization, limit measurement, quota approval, risk monitoring, asset quality management and etc., which have become important tools for decision-making and risk management in credit business.

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase in credit risk as well as in its measurement of ECLs. The Group generates a base case scenario of future forecast of relevant economic variables, along with a series of representative ranges of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

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(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (continued)

57.1 Credit risk (continued)

Impairment under the ECL model (continued)

Measurement of ECLs

The measurement of ECLs is a function of the PD, LGD and EAD based on the probability of default approach. The assessment of the PD and LGD is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For undrawn loan commitments, the ECLs is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

The Group measures ECLs considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is a common business practice.

The measurement of ECLs is based on the probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items). In relation to the assessment of whether there has been a significant increase in credit risk it can be necessary to perform the assessment on a collective basis as noted below.

Groupings based on shared risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as instrument type, credit risk grade, collateral type, remaining term to maturity and the value of collateral relative to the financial asset if it has an impact on the probability of a default occurring (loan-to-value ratios). The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

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57. FINANCIAL RISK MANAGEMENT (continued)

57.1 Credit risk (continued)

Impairment under the ECL model (continued)

Measurement of ECLs (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

As at 31 December 2020	Notes	12-month or lifetime ECL	Gross carrying amount	ECL
Financial assets held under resale agreements	24	12-month ECL	29,890,346	22,474
		Lifetime ECL (not credit-impaired)	–	–
		Credit-impaired	2,556,971	561,772
			32,447,317	584,246
Debt instruments measured at fair value through other comprehensive income	25	12-month ECL	–	108,706
		Lifetime ECL (not credit-impaired)	454,305	9,123
		Credit-impaired	999	89,001
			52,130,232	206,830
Debt instruments measured at amortized cost	27	12-month ECL	5,703,720	19,666
		Lifetime ECL (not credit-impaired)	–	–
		Credit-impaired	205,573	100,375
			5,909,293	120,041
Advances to customers	31	12-month ECL	82,116,245	132,873
		Lifetime ECL (not credit-impaired)	5,197	829
		Credit-impaired	89,309	58,602
			82,210,751	192,304
Other financial assets measured at amortized cost*		12-month ECL	140,054,759	33,430
		Lifetime ECL (not credit-impaired)	70,980	14,320
		Credit-impaired	403,798	347,470
			140,529,537	395,220
Total			313,270,130	1,498,641

* Other financial assets measured at amortized cost include accounts receivable, other receivables, deposits with exchanges and non-bank financial institutions, clearing settlement funds and bank balances.

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(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (continued)

57.1 Credit risk (continued)

Impairment under the ECL model (continued)

Measurement of ECLs (continued)

The following tables show the reconciliation of loss allowances that have been recognized:

- (1) Loss allowances for financial assets held under resale agreements)

	12-month ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired)	Total
As at 1 January 2020	26,491	–	338,340	364,831
Changes due to financial instruments recognized as at 1 January:				
– Transfers between stages				
– Increase	–	–	1,281	1,281
– Decrease	(1,281)	–	–	(1,281)
– Impairment losses recognized	1,774	–	329,098	330,872
– Impairment losses reversed	(18,143)	–	(111,902)	(130,045)
New financial assets originated or purchased	13,633	–	–	13,633
Exchange difference and others	–	–	4,955	4,955
As at 31 December 2020	22,474	–	561,772	584,246

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(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (continued)

57.1 Credit risk (continued)

Impairment under the ECL model (continued)

Measurement of ECLs (continued)

- (2) Loss allowances for debt instruments measured at fair value through other comprehensive income

	12-month ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired)	Total
As at 1 January 2020	44,828	1,993	51,518	98,339
Changes due to financial instruments recognized as at 1 January:				
– Transfers between stages				
– Increase	–	2,370	–	2,370
– Decrease	(2,370)	–	–	(2,370)
– Impairment losses recognized	15,786	5,212	37,483	58,481
– Impairment losses reversed	(22,130)	(452)	–	(22,582)
New financial assets originated or purchased	72,592	–	–	72,592
As at 31 December 2020	108,706	9,123	89,001	206,830

- (3) Loss allowances for debt instruments measured at amortized cost

	12-month ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired)	Total
As at 1 January 2020	12,659	–	5,620	18,279
Changes due to financial instruments recognized as at 1 January:				
– Transfers between stages				
– Increase	–	–	1,202	1,202
– Decrease	(1,202)	–	–	(1,202)
– Impairment losses recognized	4,095	–	81,681	85,776
– Impairment losses reversed	(3,468)	–	(5,620)	(9,088)
New financial assets originated or purchased	7,582	–	17,677	25,259
Exchange difference and others	–	–	(185)	(185)
As at 31 December 2020	19,666	–	100,375	120,041

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57. FINANCIAL RISK MANAGEMENT (continued)

57.1 Credit risk (continued)

Impairment under the ECL model (continued)

Measurement of ECLs (continued)

(4) Loss allowances for advances to customers

	12-month ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired)	Total
As at 1 January 2020	76,947	552	53,743	131,242
Changes due to financial instruments recognized as at 1 January:				
Impact of acquisition of subsidiaries				
– Transfers between stages				
– Increase	–	1	12	13
– Decrease	(13)	–	–	(13)
– Impairment losses recognized	24,391	73	37,952	62,416
– Impairment losses reversed	(54,973)	(1)	(63,912)	(118,886)
Amounts written off	–	–	(29,624)	(29,624)
New financial assets originated or purchased	87,037	239	10,534	97,810
Exchange difference and others	(516)	(35)	49,897	49,346
As at 31 December 2020	132,873	829	58,602	192,304

Due to the fluctuation of the stock market, the collateral valuations fell short of the related margin loan amount. The overall increase of the loss allowance for advances to customers was RMB160 million for the year ended 31 December 2020.

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(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (continued)

57.1 Credit risk (continued)

Impairment under the ECL model (continued)

Measurement of ECLs (continued)

(5) Loss allowances for other financial assets measured at amortized cost

	12-month ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired)	Total
As at 1 January 2020	33,252	21,108	379,448	433,808
Changes due to financial instruments recognized as at 1 January:				
Impact of acquisition of subsidiaries				
– Transfers between stages				
– Increase			1,364	1,364
– Decrease	(1,364)			(1,364)
– Impairment losses recognized	11,108	6,116	56,213	73,437
– Impairment losses reversed	(12,250)	(14,372)	(20,844)	(47,466)
Amounts written off			(8,273)	(8,273)
New financial assets originated or purchased	3,460	1,475		4,935
Exchange difference and others	(776)	(7)	(60,438)	(61,221)
As at 31 December 2020	33,430	14,320	347,470	395,220

The most significant movements of loss allowance for other financial assets measured at amortized cost during the year arose from impairment losses recognized as a result of deterioration of credit quality of these financial assets.

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57. FINANCIAL RISK MANAGEMENT (continued)

57.1 Credit risk (continued)

Impairment under the ECL model (continued)

Measurement of ECLs (continued)

The tables below summarize the Group's investments in bonds by their external credit rating.

External credit rating	As at 31 December 2020	As at 31 December 2019
Domestic bonds		
China's Sovereign Credit	46,497,984	20,997,398
AAA	37,507,824	31,476,697
AA+	6,509,235	6,013,804
AA	4,835,277	5,646,910
AA-	–	8,296
Under AA-	72,619	114,210
A-1	352,772	719,271
Not rated	9,367,801	10,936,894
Subtotal	105,143,512	75,913,480
Offshore bonds		
Other Countries' Sovereign Credit	1,445,422	–
A	98,181	21,690
B	1,421,337	488,200
C	–	2,487
Not rated	–	322,756
Subtotal	2,964,940	835,133
Total	108,108,452	76,748,613

Note: China's Sovereign Credit represents the credit rating of Chinese government bonds. "A-1" represents the highest rating of the short-term bonds. The credit ratings of offshore bonds use the lowest ratings of the ones given by Moody's, Standard & Poor's and Fitch, if available; or otherwise shown as "not rated".

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57. FINANCIAL RISK MANAGEMENT (continued)

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.

Within the scope of risk partiality, the Group formulates market risk authorization for proprietary business lines, including transaction limit, risk value, sensitivity, stop loss limit, stress test, concentration and other risk indicators. According to the role and limitations of different indicators, the Group establishes complementary indicator systems of different types and levels, and manages them according to different dimensions. The Group continuously monitors the market risk status and the implementation of relevant risk authorization, and takes timely control and mitigation measures to limit, transfer and reduce market risk.

The Risk Management Department, which is independent of the business department, is the centralized department of market risk management. It identifies, evaluates, monitors and reports the market risks faced by its own funds participating in business and products, and independently evaluates and verifies the valuation methods and risk measurement models of financial instruments used in the process of business development. The Risk Management Department monitors the implementation of risk authorization of the business department, timely reveals the risks, reports the market risk status to the operation management or its authorized organization, the board of directors and its Risk Management Committee on a regular basis, and makes special risk reports on special or major risk issues from time to time. Each business department is the first person in charge of market risk management. According to the market risk monitoring results, they select the market risk hedging and risk mitigation strategies suitable for risk preference, mainly including risk dispersion and risk hedging, and actively transfers, controls and reduces market risk. Regularly or irregularly feed back the market risk management status of the Department to the risk management department.

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 securities price risk of the Group was mainly derived from the positions held in businesses such as proprietary investment, and market making business. In order to control risks effectively, the Group mainly adopted the following measures. Firstly, by creating securities investment portfolios, the Group made use of financial derivatives to carry out effective risk hedging. Secondly, the risk exposures of the Group's positions were managed on an unified basis. Through the defensive lines of the internal risk division of the business department and the risk management department, the Group 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 level and limit of loss, and made adjustments irregularly to respond to the ever-changing market conditions, business conditions or risk tolerance. Fourthly, the Group 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.

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57. FINANCIAL RISK MANAGEMENT (continued)

57.2 Market risk (continued)

Price risk (continued)

The Company, Galaxy International, which takes a great market risk adopts Value at Risk (“VaR”) as the risk evaluation tool for measuring the market risk of the entire securities investment portfolio which comprises various financial instruments, and utilise stress testing as an effective supplement to the VaR analysis. VaR analysis is a statistical technique that estimates the potential maximum losses that could occur on risk positions due to movements in interest rates, stock prices or currency rates over a specified time period and at a given level of confidence.

The analysis of the Company’s VaR (confidence level of 95% and a holding period of one trading day) by types of risks is as follows:

		2020		
The Company	2020/12/31	Average	Lowest	Highest
VaR of equity price	74,441	76,268	41,493	125,989
VaR of interest rate	138,379	152,848	11,531	266,252
VaR of commodity price	139	72	6	229
VaR of foreign exchange	–	–	–	–
Total portfolio VaR	114,418	120,181	54,195	202,834

		2019		
The Company	2019/12/31	Average	Lowest	Highest
VaR of equity price	39,168	46,118	22,526	115,998
VaR of interest rate	48,506	43,059	22,646	67,850
VaR of commodity price	9	109	–	491
VaR of foreign exchange	–	1	1	4
Total portfolio VaR	46,244	54,271	30,521	105,599

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.

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57. FINANCIAL RISK MANAGEMENT (continued)

57.2 Market risk (continued)

Interest rate risk (continued)

The tables below summarize the Group's interest-bearing financial assets and liabilities by their remaining terms to repricing or contractual maturity date, whichever is earlier. Other financial assets and liabilities not included below are not exposed to significant interest rate risk.

As at 31 December 2020

	Less than 1 year	More than 1 but less than 3 years	More than 3 but less than 5 years	More than 5 years	Total
Financial assets					
Advances to customers	81,998,721	19,726	–	–	82,018,447
Debt instruments measured at fair value through other comprehensive income	5,728,148	17,348,181	15,354,886	13,699,017	52,130,232
Debt instruments measured at amortized cost	1,957,817	386,778	2,402,895	1,041,762	5,789,252
Financial assets held under resale agreements	19,748,516	12,114,555			31,863,071
Financial assets measured at fair value through profit or loss	7,315,180	15,655,476	19,369,905	8,014,453	50,355,014
Clearing settlement funds	17,583,856	–	–	–	17,583,856
Bank balances	92,410,028	298,000	–	–	92,708,028
Subtotal	226,742,266	45,822,716	37,127,686	22,755,232	332,447,900
Financial liabilities					
Bonds payable	20,017,727	39,674,644	–	–	59,692,371
Due to banks and other financial institutions	23,610,748	–	–	–	23,610,748
Debt instruments	53,476,353	787,081	–	–	54,263,434
Accounts payable to brokerage clients	97,670,919	–	–	–	97,670,919
Financial assets sold under repurchase agreements	88,113,405	–	–	–	88,113,405
Other financial liabilities	11,139	208,183	–	544,205	763,527
Subtotal	282,900,291	40,669,908	–	544,205	324,114,404
Net interest-bearing position	(56,158,025)	5,152,808	37,127,686	22,211,027	8,333,496

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57. FINANCIAL RISK MANAGEMENT (continued)

57.2 Market risk (continued)

Interest rate risk (continued)

As at 31 December 2019

	Less than 1 year	More than 1 but less than 3 years	More than 3 but less than 5 years	More than 5 years	Total
Financial assets					
Advances to customers	58,522,084	199,235	–	–	58,721,319
Debt instruments measured at fair value through other comprehensive income	780,168	8,735,820	7,446,725	6,054,777	23,017,490
Debt instruments measured at amortized cost	659,289	489,709	3,055,124	827,174	5,031,296
Financial assets held under resale agreements	16,829,084	13,609,000	–	–	30,438,084
Financial assets measured at fair value through profit or loss	11,705,848	12,840,818	15,460,188	8,768,818	48,775,672
Clearing settlement funds	11,276,475	–	–	–	11,276,475
Bank balances	70,329,033	–	–	–	70,329,033
Subtotal	170,101,981	35,874,582	25,962,037	15,650,769	247,589,369
Financial liabilities					
Bonds payable	26,522,572	31,142,519	–	–	57,665,091
Due to banks and other financial institutions	13,952,727	–	–	–	13,952,727
Debt instruments	22,584,027	1,433,758	–	–	24,017,785
Accounts payable to brokerage clients	80,508,860	–	–	–	80,508,860
Financial assets sold under repurchase agreements	54,855,654	–	–	–	54,855,654
Other financial liabilities	198,447	14,743	–	451,733	664,923
Subtotal	198,622,287	32,591,020	–	451,733	231,665,040
Net interest-bearing position	(28,520,306)	3,283,562	25,962,037	15,199,036	15,924,329

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57. FINANCIAL RISK MANAGEMENT (continued)

57.2 Market risk (continued)

Sensitivity analysis

The Group uses sensitivity analysis as the main tool to monitor interest rate risk, and measures the impact on the Group's total profit and other comprehensive income without considering the impact of corporate income tax, when the interest rate changes reasonably and possibly under the assumption that other variables remain unchanged as follows:

	Year ended 31 December	
	2020	2019
Profit before income tax for the year		
Increase by 100 basis points	(1,059,033)	(1,150,372)
Decrease by 100 basis points	1,059,033	1,150,372
	Year ended 31 December	
	2020	2019
Other comprehensive income before income tax		
Increase by 100 basis points	(2,527,748)	(887,770)
Decrease by 100 basis points	2,527,748	887,770

The influence on the total profit refers to the influence of certain changes in the interest rate in the middle of the next year on the net interest-generating position interest income and the changes in the fair value after the revaluation of the trading financial assets and trading financial liabilities held at the end of the year.

The influence on other comprehensive income refers to the influence of the changes in the fair value of other debt investments held at the end of the period based on the revaluation when a certain interest rate changes.

The above sensitivity analysis assumes that the rates of return on assets and liabilities of each maturity move up or down in parallel, so it does not reflect the possible impact for only interest rate changes while the remaining interest rate remains unchanged. The forecast is also based on other simplified assumptions, including that all positions to be held to maturity.

This assumption does not represent the Group's policy on the use of funds and the management of interest rate risk, so the effects above may differ from the actual situation.

Moreover, the above analysis of the impact of interest rate changes is only an example to show the estimated changes in total profit and other comprehensive income under various projected income scenarios and the current interest rate risk profile of the Group. However, this effect does not take into account the risk management activities that management may take to manage interest rate risk.

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(Amounts in thousands of Renminbi, unless otherwise stated)

57. FINANCIAL RISK MANAGEMENT (continued)

57.2 Market risk (continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Group's 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. The currency risk of the Group's business is not significant.

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 debt instruments transfer of rights and interests in margin loans to support the development of margin financing and other businesses

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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 financial liabilities not measured at fair value approximate to their fair values as at 31 December 2020 and 31 December 2019 except for the following financial assets and financial liabilities, for which their carrying amounts including interest receivable/interests payable and fair value are disclosed below:

	As at 31 December 2020	
	Carrying amounts	Fair value
Non-current		
Bonds payable	39,674,644	38,792,862
Debt instruments	787,081	787,747
Financial assets held under resale agreements	12,035,795	12,186,680
Debt instruments measured at amortized cost	3,773,063	3,820,254
	As at 31 December 2019	
	Carrying amounts	Fair value
Non-current		
Bonds payable	31,142,519	31,475,323
Debt instruments	1,433,758	1,436,328
Financial assets held under resale agreements	13,609,000	13,845,365
Debt instruments measured at amortized cost	4,314,343	4,362,401

Fair values of these financial instruments are 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 markets 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);

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(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)

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).

As at 31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets:				
Debt instrument measured at FVTOCI:	22,485,527	29,644,705	–	52,130,232
– Debt securities	22,485,527	29,644,705	–	52,130,232
Equity instruments measured at FVTOCI:	17,119,553	16,748,638	–	33,868,191
– Perpetual bonds	17,119,553	8,567,638	–	25,687,191
– Equity investments	–	8,181,000	–	8,181,000
Financial assets measured at FVTPL:	27,721,129	57,728,149	7,197,732	92,647,010
– Debt securities	11,710,752	38,644,261	–	50,355,013
– Equity securities	9,049,146	166,795	5,517,985	14,733,926
– Funds	4,575,885	10,732,783	–	15,308,668
– Asset management plan	–	231,908	–	231,908
– Structured deposits and wealth management products	–	2,883,160	–	2,883,160
– Trust schemes	–	43,964	–	43,964
– Other investments	2,385,346	5,025,278	1,679,747	9,090,371
Derivative financial assets	176,513	343,328	349,660	869,501
Total	67,502,722	104,464,820	7,547,392	179,514,934
Financial liabilities:				
Financial liabilities held for trading:	1,686,972	716,280	–	2,403,252
– Debt securities	–	716,280	–	716,280
– Equity securities	1,686,972	–	–	1,686,972
Financial liabilities designated as at fair value through profit or loss:	2,111,675	5,515,820	–	7,627,495
– Structured products embedded with equity swaps	2,026,477	–	–	2,026,477
– Equity-linked Financing payables	85,198	3,213,566	–	3,298,764
– Gold-linked Financing payables	–	2,302,254	–	2,302,254
Derivative financial liabilities	301,265	996,649	675,498	1,973,412
Total	4,099,912	7,228,749	675,498	12,004,159

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(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)

As at 31 December 2019	Level1	Level2	Level3	Total
Financial assets:				
Debt instrument smeasured at FVTOCI:	11,530,832	11,486,658	–	23,017,490
– Debt securities	11,530,832	11,486,658	–	23,017,490
Equity instruments measured at FVTOCI:	8,343,372	11,005,876	–	19,349,248
– Perpetual bonds	8,343,372	3,007,075	–	11,350,447
– Equity investments	–	7,998,801	–	7,998,801
Financial assets measured at FVTPL:	23,330,240	46,459,969	4,248,910	74,039,119
– Debt securities	15,687,989	33,087,684	–	48,775,673
– Equity securities	3,294,843	161,039	2,346,921	5,802,803
– Funds	2,796,608	7,903,140	–	10,699,748
– Asset management plan	–	2,548,067	–	2,548,067
– Structured deposits and wealth management products	–	232,505	–	232,505
– Trust schemes	–	115,290	432,141	547,431
– Other investments	1,550,800	2,412,244	1,469,848	5,432,892
Derivative financial assets	70,105	28,290	110,108	208,503
Total	43,274,549	68,980,793	4,359,018	116,614,360
Financial liabilities:				
Financial liabilities held for trading:	–	6,798	–	6,798
– Securities lending	–	6,798	–	6,798
Financial liabilities designated as at fair value through profit or loss:	1,256,635	454,649	–	1,711,284
– Structured products embedded with equity swaps	1,256,635	–	–	1,256,635
– Equity-linked Financing payables	–	454,649	–	454,649
Derivative financial liabilities	81,696	172,162	215,934	469,792
Total	1,338,331	633,609	215,934	2,187,874

There were no significant transfers between Level 1 and 2 during year of 2020 and 2019.

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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)

58.2.1 Basis for recurring fair value measurement categorised within Level 1

For the measurement for Level 1, the Group adopts the closing price in active markets. Instruments included in Level 1 comprise primary debt securities, equity securities, funds and other investments traded on stock exchanges.

58.2.2 Valuation techniques used and the qualitative information of key parameters for recurring fair value measurement categorised within Level 2

For debt instruments at FVTPL and at FVTOCI, and securities lending whose value is available on bond pricing system on the valuation date is measured using the latest valuation results published by bond pricing system. The future cash flows are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.

For equity investments at FVTOCI, unlisted funds (open-ended mutual funds, structured deposits, wealth management products and other investments at FVTPL), the fair value is calculated based on the fair value of the underlying investments which are money market instruments, debt securities and publicly traded equity investments listed in the PRC in each portfolio.

For equity securities at FVTPL traded on National Equities Exchange and Quotations, recent transaction prices and the latest quoted bid prices and adjusted based on the index of National Equities Exchange and Quotations is used.

For Equity-linked Financing payables designated as at fair value through profit or loss, the fair value is determined based on the bid prices of stock index in an active market.

For derivative financial instruments, the fair value is determined by different valuation techniques. For interest rate swaps, equity return swaps and currency forward, the fair value is measured by discounting the differences between the contract prices and market prices of the underlying financial instruments.

During the year ended 31 December 2020, there were no significant changes of valuation techniques for Level 2.

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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)

58.2.3 Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3

The quantitative information of fair value measurement for Level 3 is as follows:

	As at 31 December 2020	As at 31 December 2019	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Financial assets				
Financial assets measured at FVTPL:				
- Equity securities traded on National Equities Exchange and Quotations	-		675 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.	Discount rate (Note 2)
- Equity securities traded on National Equities Exchange and Quotations	63,643		8,223 Multiples valuation, with an adjustment of discount for lack of marketability.	Marketability discount (Note 3)
- Equity securities traded on stock exchanges with lock-up periods	5,454,341	2,338,023	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 the option pricing model. The key input is the implied volatility of the share prices of the securities.	Implied volatility (Note 1)
- Trust scheme	-	432,141	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.	Discount rate (Note 2)
- Other investments	603,616	126,131	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.	Implied volatility (Note 1)
- Other investments	152,881	272,111	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.	Discount rate (Note 2)
- Other investments	923,251	1,071,605	Multiples valuation, with an adjustment of discount for lack of marketability.	Marketability discount (Note 3)
Derivative financial instruments:				
- Over-the-counter options-assets	331,514	100,257	Calculated based on the Black-Scholes option pricing model.	Implied volatility (Note 1)
- Other forward contract-assets	18,146	9,852	Discounted cash flows with future cash flows that are estimated based on contractual amounts, discounted at a rate that reflects the credit risk of the counterparty.	Discount rate (Note 2)
Total	7,547,392	4,359,018		
Financial liabilities				
Derivative financial instruments:				
- Over-the-counter options-liabilities	664,890	215,934	Calculated based on the Black-Scholes option pricing model.	Implied volatility (Note 1)
- forward contract-liabilities	10,609	-	Discounted cash flows with future cash flows that are estimated based on contractual amounts, discounted at a rate that reflects the credit risk of the counterparty.	Discount rate (Note 2)
Total	675,499	215,934		

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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)

58.2.3 Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 (continued)

Notes:

- (1) The significant unobservable input to fair value measurement is the implied volatility of the underlying securities, which ranges from 15.52% to 92.45% (31 December 2019: 17.45% to 72.25%).
- (2) The unobservable input to fair value is the discount rate, determined by reference to the credit risk of underlying investments, ranging from 36.03% to 97.30% (31 December 2019: 8.76% to 10.18%). The higher is the discount rate, the lower is the fair value.
- (3) The unobservable input to fair value is the discount for lack of marketability, which ranges from 10.94% to 88% (31 December 2019: 3.94% to 45.12%). The higher is the discount for lack of marketability, the lower is the fair value.
- (4) As disclosed in Note 33, except for stock index futures and interest rate swap not under the daily mark-to-market and settlement arrangement are presented gross at the end of the reporting period, the other derivatives are under daily mark-to-market and settlement arrangements. Accordingly, the net position of the treasury bond futures, and commodity futures, stock index futures and interest rate swap 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 Level 2 fair value measurements during the years ended 31 December 2020 and 2019.

58.3 Reconciliation of Level 3 fair value measurements

	Financial assets measured at fair value through profit or loss
As at 1 January 2020	4,248,910
Total losses:	
– in profit or loss	(1,572,857)
Purchases	4,690,550
Transfers out (Note)	(168,871)
As at 31 December 2020	7,197,732
Total gains for assets held at 31 December 2020	
– unrealized gains recognized in profit or loss	1,199,551

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58. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

58.3 Reconciliation of Level 3 fair value measurements (continued)

	Financial assets measured at fair value through profit or loss
As at 1 January 2019	5,762,476
Total losses:	
– in profit or loss	(1,044,482)
Purchases	2,380,205
Transfers out (Note)	(2,849,289)
As at 31 December 2019	4,248,910
Total losses for assets held at 31 December 2019	
– unrealized losses recognized in profit or loss	1,712,765

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.

59. EVENTS AFTER THE END OF THE REPORTING PERIOD

Proposed profit distribution after the reporting period

Subsequent to the end of reporting period, a final dividend in respect of the year ended 31 December 2020 of RMB2.20 per 10 shares (inclusive of tax), in an aggregate amount of RMB2,230.20 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 approval by the shareholders in the forthcoming annual general meeting.

Issuance of corporate bonds

Subsequent to the end of reporting period, the Company obtained approval from China Securities Regulatory Commission and has completed the publicly issuance of corporate bonds of RMB1,800 million (Tranche 1), RMB3,200 million (Tranche 2) in January 2021. These bonds bear interest rates at 3.24%-3.58% per annum and the terms are from 2 years to 3 years. In February 2021, the Company has completed the publicly issuance of corporate bonds of RMB1,500 million (Tranche 1), RMB2,500 million (Tranche 2). These bonds bear interest rates at 3.50%-3.67% 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.

Issuance of short-term financing bills

Subsequent to the end of reporting period, the Company has completed the non-publicly issuance of short-term financing bonds of RMB4,000 million (Tranche 1), RMB3,000 million (Tranche 2) and RMB4,000 million (Tranche 3) in January 2021, February 2021 and March 2021, respectively. These bonds bear interest rates at 2.45%-2.95% per annum and the terms are from 90 days to 91 days. Proceeds from the issue will be used to increase working capital of the Company.

Issuance of perpetual subordinated bonds

Subsequent to the end of reporting period, the Company obtained approval from China Securities Regulatory Commission of publicly issuance of perpetual subordinated bond with no more than 15,000 million. Perpetual subordinated bond (Tranche 1), RMB5,000 million at par value issued in March 2021. These bonds bear a simple interest at 4.57%, without compound interest. Proceeds from the issue will be used to increase working capital of the Company.

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60. INVESTMENT IN SUBSIDIARIES

60.1 General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place of incorporation/ establishment	Type of legal entity registered under PRC Law	Equity interest and voting right held by the Group		Paid-up capital/ registered share capital (RMB) unless otherwise stated	Principal activities
			31/12/2020	31/12/2019		
Galaxy Capital Management Company Limited investment and (Sole proprietary) (銀河創新資本管理有限公司)	Beijing, PRC	Limited liability company (corporate owned)	100.00%	100.00%	1,000,000,000	Assets management, project investment management
Galaxy International Holdings	Hong Kong, PRC	N/A	100.00%	100.00%	HKD 3,261,208,250	Investment holding
Galaxy Futures Company Limited ("Galaxy Futures financial futures)(Joint venture between Hongkong, Macao and Taiwan consultancy and asset (銀河期貨有限公司)	Beijing, PRC	Limited liability company (corporate owned)	100.00%	83.32%	2,300,000,000	Commodity futures broking broking futures investment management
Galaxy Jinhui Securities Asset Management Company Limited management (Sole proprietary) (銀河金匯證券資產管理有限公司)	Shenzhen, PRC	Limited liability company (corporate owned)	100.00%	100.00%	1,000,000,000	Securities asset
Galaxy Yuanhui Investment Company Limited (Sole proprietary) (銀河源匯投資有限公司)	Shanghai, PRC	Limited liability company (corporate owned)	100.00%	100.00%	3,000,000,000	Alternative investment
China Galaxy International Futures broking (Hong Kong Company Limited)	Hong Kong, PRC	N/A	100.00%	100.00%	HKD 72,000,000	Futures contracts dealing and
China Galaxy International Securities securities (Hong Kong Company Limite)	Hong Kong, PRC	N/A	100.00%	100.00%	HKD 1,400,000,000	Securities broking, advising on and corporate finance

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60. INVESTMENT IN SUBSIDIARIES (continued)

60.1 General information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Type of legal entity registered under PRC Law	Equity interest and voting right held by the Group		Paid-up capital/ registered share capital (RMB) unless otherwise stated	Principal activities
			31/12/2020	31/12/2019		
China Galaxy International Finance (Hong Kong Company Limited)	Hong Kong, PRC	N/A	100.00%	100.00%	HKD 1,000,000	Money lending
China Galaxy International Assets Management (Hong Kong Company Limited)	Hong Kong, PRC	N/A	100.00%	100.00%	HKD 20,000,000	Asset management
China Galaxy International Wealth broking Management (Hong Kong Company Limited)	Hong Kong, PRC	N/A	100.00%	100.00%	HKD2,107,600	Wealth management and insurance
*Galaxy Yueke PE Fund Management Co., Ltd (銀河粵科私募基金管理有限公司)	Guangzhou, PRC	Limited liability company (Equity joint venture)	51.00%	51.00%	20,000,000	Investment fund management
CGS-CIMB Securities (Hong Kong Limited) (銀河－聯昌證券國際私人有限公司)	Singapore	N/A	50.00%	50.00%	SGD908,000,000	Investing holding
*Galaxy Derivatives Capital Management Company Limited management ("Galaxy Derivatives") (銀河德睿資本管理有限公司)	Shanghai, PRC	Limited liability company (corporate owned)	100%	83.32%	1,000,000,000	Assets and investment

* These subsidiaries do not have official English names.

60.2 Change in ownership interest in a subsidiary

The Company injected capital of RMB1.10 billion in its subsidiary, Galaxy Futures Company Limited during Year 2020.

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61. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) The Company's statement of financial position

AS AT 31 DECEMBER 2020

	Note	As at 31 December	
		2020	2019
ASSETS			
Non-current assets			
Property and equipment		348,467	319,059
Right-of-use assets		751,508	1,123,744
Goodwill		223,278	223,278
Other intangible assets		441,222	385,995
Investments in subsidiaries		9,943,916	8,595,827
Financial assets measured at fair value through profit or loss		19,534,394	201,143
Financial assets held under resale agreements		12,035,795	13,609,000
Debt instruments measured at fair value through other comprehensive income		85,272	100,053
Equity instruments measured at fair value through other comprehensive income		33,868,045	19,349,092
Debt instruments measured at amortized cost		3,487,578	3,401,308
Deposits with exchanges and non-bank financial institutions		992,914	407,983
Other receivables and prepayments		1,133,631	1,088,840
Deferred tax assets		–	–
Total non-current assets		82,846,020	48,805,322
Current assets			
Advances to customers		77,993,163	54,028,306
Accounts receivable		265,731	180,206
Tax recoverable		116,876	354,332
Other receivables and prepayments		499,291	283,316
Amounts due from subsidiaries		3,454,385	1,021,651
Financial assets measured at fair value through profit or loss		59,721,785	68,771,896
Financial assets held under resale agreements		19,039,879	15,281,036
Debt instruments measured at fair value through other comprehensive income		52,044,960	22,917,437
Debt instruments measured at amortized cost		369,628	441,765
Derivative financial assets		347,911	19,650
Deposits with exchanges and non-bank financial institutions		2,447,581	790,144
Clearing settlement funds		15,846,584	9,988,220
Bank balances		68,771,387	54,569,153
Total current assets		300,919,161	228,647,112
Total assets		383,765,181	277,452,434

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61. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

(a) The Company's statement of financial position (continued)

AS AT 31 DECEMBER 2020

	Note	As at 31 December	
		2020	2019
EQUITY AND LIABILITIES			
Equity			
Share capital	61(b)	10,137,259	10,137,259
Other equity instruments		4,962,172	–
Reserves	61(b)	43,150,478	41,311,102
Retained profits	61(b)	20,369,534	17,364,633
Total equity		78,619,443	68,812,994
Liabilities			
Non-current liabilities			
Bonds payable		39,674,644	31,142,519
Debt instruments		787,081	1,433,758
Financial liabilities measured at fair value through profit or loss		182,709	52,741
Lease liabilities		588,132	719,737
Deferred tax liabilities		127,599	228,462
Total non-current liabilities		41,360,165	33,577,217
Current liabilities			
Bonds payable		20,017,727	26,522,572
Due to banks and other financial institutions		15,617,256	8,177,307
Debt instruments		53,476,353	21,990,645
Accounts payable to brokerage clients		69,853,813	57,596,602
Accrued staff costs		3,002,991	2,771,261
Other payables and accruals		4,500,519	952,646
Lease liabilities		142,400	395,679
Financial liabilities measured at fair value through profit or loss		8,075,868	1,665,341
Derivative financial liabilities		1,019,437	146,616
Financial assets sold under repurchase agreements		88,079,209	54,843,554
Total current liabilities		263,785,573	175,062,223
Total liabilities		305,145,738	208,639,440
Total equity and liabilities		383,765,181	277,452,434
Net current assets		37,133,588	53,584,889
Total assets less current liabilities		119,979,608	102,390,211

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61. 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:

	Share capital	Other equity instruments	Capital reserves	Investment revaluation reserve	General reserves	Other reserves	Retained profits	Total equity
At 1 January 2019	10,137,259	-	24,965,390	155,600	14,350,599	(64,941)	14,891,176	64,435,083
Profit for the year	-	-	-	-	-	-	4,836,870	4,836,870
Other comprehensive income for the year	-	-	-	457,676	-	(4,282)	-	453,394
Total comprehensive income for the year	-	-	-	457,676	-	(4,282)	4,836,870	5,290,264
Appropriation to general reserves	-	-	-	-	1,451,060	-	(1,451,060)	-
Dividends declared	-	-	-	-	-	-	(912,353)	(912,353)
At 31 December 2019	10,137,259	-	24,965,390	613,276	15,801,659	(69,223)	17,364,633	68,812,994
Profit for the year	-	-	-	-	-	-	6,608,647	6,608,647
Other comprehensive expense for the year	-	-	-	(220,280)	-	36,353	-	(183,927)
Total comprehensive income/(expense for the year)	-	-	-	(220,280)	-	36,353	6,608,647	6,424,720
Appropriation to general reserves	-	-	-	-	1,982,594	-	(1,982,594)	-
Issue of perpetual bonds	-	4,962,172	-	-	-	-	-	4,962,172
Acquisition of non-controlling interests	-	-	41,518	-	-	-	-	41,518
Other comprehensive income that has been reclassified to retained profits	-	-	-	(809)	-	-	809	-
Dividend declared	-	-	-	-	-	-	(1,621,961)	(1,621,961)
At 31 December 2020	10,137,259	4,962,172	25,006,908	392,187	17,784,253	(32,870)	20,369,534	78,619,443

APPENDIX INFORMATION ON SECURITIES BRANCHES

No.	Name	Securities Branch Address	Person In Charge
1	Beijing Financial Street Securities Branch	3-4/F, No. 111 Taiping Bridge Avenue, Xicheng District, Beijing	Zhao Hongliang
2	Beijing Wangjing Securities Branch	2/F, 12 Futong East Avenue, Chaoyang District, Beijing	Zhao Zhiquan
3	Beijing Taoran Qiao Securities Branch	Room 901-906, Floor 9, No.1 Majiabao Road, Dongcheng District, Beijing	Guo Yu
4	Beijing South Xueyuan Road Securities Branch	2nd Floor, Room 201, 202, 205, 206, 209, 210, 220, 224, 225, 227, 228, 4th floor, Room 401, 402, No. 2, No. 34, College South Road, Haidian District, Beijing	Zhao Xinhua
5	Beijing Anzhengmen Securities Branch	No. 1102, 11th Floor, No. 1-3, No. 33, Anding Road, Chaoyang District, Beijing	Cao Yanxia
6	Beijing Zhushikou Street Securities Branch	Room 110, 1st Floor, No. 2, Zhushikou East Street, Dongcheng District, Beijing	Li Weimin
7	Beijing Zhongguancun Avenue Securities Branch	03-3D Tower D, Building 1-4, 18th Yard (A), Zhongguancun South Avenue, Haidian District, Beijing	Song Yushan
8	Beijing Sun Palace Securities Branch	No.10, 2/F, Building 11, Xiajiayuan, Chaoyang District, Beijing	Ai Haifeng
9	Beijing Fucheng Avenue Securities Branch	Floor 1, 3, 4, Yindu Building, No.67, Fucheng Avenue, Haidian District, Beijing	Ma Junming
10	Beijing Chaoyangmen North Avenue Securities Branch	6/F, Tower B, Office Building, 5th Square, No.5, Changyangmen North Avenue, Dongcheng District, Beijing	Wang Xiaojing
11	Beijing Jianguo Road Securities Branch	North, Hall of 1st Floor, Building 1, 126 Jianguo Road, Chaoyang District, Beijing	Liu Yanhong
12	Beijing Xueqing Road Securities Branch	Room 701-702, 716-718, Floor 7, Jinma Hotel, No.38(A) Xueqing Road, Haidian District, Beijing	Yan Xiaolong
13	Beijing Fangzhuang South Avenue Securities Branch	Room 103, 2 Fangzhuang South Avenue, Fengtai District, Beijing	Wu Di
14	Beijing Yizhuang Securities Branch	Room 103, 1/F, Building 1, 5th Yard, Ronghua Middle Road, Beijing Economic and Technological Development Zone, Beijing	Wang Jinzhu
15	Beijing Hujialou Securities Branch	Room 103, 1st Floor, No.2, No.18 Gongtong Road, Chaoyang District, Beijing	Lu Zhen
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	121, 1/F, No.4, No.93 Jianguo Road, Chaoyang District, Beijing	Liu Yang

APPENDIX INFORMATION ON SECURITIES BRANCHES

No.	Name	Securities Branch Address	Person In Charge
18	Beijing Laiguangying Securities Branch	Unit 201, 2/F, Block 2, Chengying Center, Yard No. 5, Laiguangying West Road, Chaoyang District, Beijing	Tian Zhilu
19	Beijing Chaoyang Road Securities Branch	Room 305, 3/F, No. 100 Balizhuang Xili, Chaoyang District, Beijing	Lai Zhenghe
20	Beijing Lize Securities Branch	102A, Inner 1 level, 101, 4-22/F, Building No. 1, No.8 Jinze West Road, Fengtai District, Beijing	Hou Zhishan
21	Beijing Houshayu Securities Branch	Room 107-108, 1/F, Block 9, Yard No. 20, Yuqing Road, Houshayu Town, Shunyi District, Beijing	Zhou Chunmei
22	Beijing Litong Road Securities Branch	Room 15-3, 1/F, Block 15, Yard No. 1, Jinfang Road, Chaoyang District, Beijing	Shao Jiangbo
23	Beijing Fengke Road Securities Branch	Room 106, 1-2/F, Block 4, Yard No. 2, Liuquan Road, Fengtai District, Beijing	Li Qiang
24	Beijing Caishikou Street Securities Branch	Room 125, 1-2/F, Block 2, Yard No. A2, Caishikou Street, Xicheng District, Beijing	Jiao Jian
25	Beijing Fuwai Street Securities Branch	Area GBC-6, 1/F, The Presidential Beijing, No. A9 Fuchengmenwai Street, Xicheng District, Beijing	Bai Yunlong
26	Beijing Asian Games Village Securities Branch	No. 104, 1st Floor, Building 27, Block 8, Beichen East Road, Chao Yang District, Beijing	Xue Tingyu
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
28	Beijing Tongzhou Securities Branch	Room 2-6, 1/F, Block 2, Yard No. 12, Xinhua South Second Street, Tongzhou District, Beijing	Liu Bin
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
30	Beijing Shangdi Securities Branch	Room 04B-C, Block D, 4/F, No. A28 Xinxi Road, Haidian District, Beijing	Liu Yifei
31	Beijing Zhichun Road Securities Branch	Room 1109, 11/F, No.27, Zhongguancun Street, Haidian District, Beijing	Wu Qiaoling
32	Beijing Xinghua Street Securities Branch	101, 1st Floor, Building 17, No. 19, Xinghua Street (2nd Section), Daxing District, Beijing	Li Yu
33	Beijing East Four-ring South Road Securities Branch	11-12, Basement of No. 16 Building, No.7, Zhouzhuang Jiayuan, Shibalidian Township, Chaoyang District, Beijing	Song Bowen
34	Beijing Yiheyuan Road Securities Branch	1516/13, 1515, 13th Floor, No. 65 North Fourth Ring Road, Haidian District, Beijing	Jiao Yuku
35	Beijing Cuilin Road Securities Branch	Room 1509, 15th Floor, Wanda Plaza Office Building, No.1 Building, No.1 West Yingying Road, Fengtai District, Beijing	Shi Liansheng

APPENDIX INFORMATION ON SECURITIES BRANCHES

No.	Name	Securities Branch Address	Person In Charge
36	Beijing Guanganmen Securities Branch	405, 4th Floor, Building 7, No. 27, Nanbinhe Road, Xicheng District, Beijing	Zhang Yang
37	Beijing Yonghegong Securities Branch	B1-A1, Building A, Innovation Building, No. 11 Hepingli East Street, Dongcheng District, Beijing	Yang Donglin
38	Tianjin Changjiang Road Securities Branch	2/F, Qingxin Building, 55-65 Changjiang Road, Nankai District, Tianjin	Zeng Tao
39	Tianjin Kaihua Road Securities Branch	3 Kaihua Road, Huayuan Industrial Park, Binhai High-Tech Industry Development Zone, Tianjin	Liu Hui
40	Tianjin Shengli Road Securities Branch	1-2-101, Ruihai Building, Northwest of intersection of Shengli Road and Jianguo Road, Hebei District, Tianjin	Tang Hao
41	Tianjin Luneng International Center Securities Branch	1706, 17/F, Luneng International Center, intersection of Water Park North Road and Water Park East Road, Nankai District, Tianjin	Chen Liansheng
42	Shijiazhuang Hongqi Street Securities Branch	No.98, Hongqi Street, Qiaoxi District, Shijiazhuang City	Jiao Wenli
43	Langfang Yinhe North Street Securities Branch	No.106, Yinhe North Street, Langfang City	Li Fanghui
44	Shijiazhuang Shengli North Street Securities Branch	Futian Building, No.156 Shengli North Street, Zhangan District, Shijiazhuang City	Luo Feng
45	Xingtai Qinghe Securities Branch	No. 17, Changjiang East Street, Qinghe County	Hao Guojing
46	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
47	Cangzhou Yong'an South Street Securities Branch	No. 1202, 5th Part, Yihewenyuan Sales Department, Jiefang West Road, Yunhe District, Cangzhou City	Chen Hui
48	Qinhuangdao Securities Branch	No. 181, Jianshe Avenue, Harbour District, Qinhuangdao City	Liu Wei
49	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
50	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
51	Taiyang Yingze West Securities Branch	Units 101, 1st floor, 201, 2nd floor, 804A, 805, 806, 8th floor, Tower A, Zhonghai International Center, No. 8, Section 1, Jinci Road, Wanbailin District, Taiyuan City, Shanxi Province	Chen Honghua

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No.	Name	Securities Branch Address	Person In Charge
52	Taiyuan Zhonghuan South Central Avenue Securities Branch	Room 903-906, 9/F, No. 7 Yari Road, Taiyuan College Park, Shanxi Transformation Comprehensive Reform Demonstration Zone	Zhang Jianzhong
53	Taiyuan Taoyuan Securities Branch	5/F, No.1 Xinjian South Road, Yingze District, Taiyuan City	Zhao Junhua
54	Linfen Jiefang East Road Securities Branch	No.2, Jiefang East Road, Linfen City	Ren Dongfeng
55	Houma Kuaibin Street Securities Branch	No.7, Kuaibin Street, Houma City (former Zhong Hang Building)	Wang Quanrui
56	Huozhou Xinjian South Road Securities Branch	Shop No.59, 60, Building No.11 , Riverside Lijing, Xinjian South Road, Huozhou, Linfen City, Shanxi Province	Guo Ming
57	Yicheng Jiefang Street Securities Branch	1-2/F, Block 6, Zone C2 (Yiheyan Community), Jiefang West Street, Yicheng County, Shanxi Province	Yang Zhifeng
58	Hongdong Feihong East Street Securities Branch	1st and 2nd floors, Building 1, 2, 3, Block 7, Feihong East Street, Hongdong County, Shanxi Province	Cui Jinhui
59	Jinzhong Yingbin Street Securities Branch	No.135, Yingbin Street, Yuci district, Jinzhong City, Shanxi Province	Zhuan Huiqin
60	Lingshi Xiaohe South Road Securities Branch	B2-04, Fenghuang Xincheng Shops, Xiaohe South Road, Lingshi County, Jinzhong, Shanxi Province	Duan Jinggang
61	Qixian Xinjian North Road Securities Branch	No.179, Xinjian North Street, Qi County, Jinzhong City, Shanxi Province (The North side of Library)	Pei Bin
62	Taigu Kangyuan Road Securities Branch	No.15, Building 20, Huaxing community, Kangyuan Road, Taigu County, Jinzhong City, Shanxi Province	Song Wei
63	Jiexiu Xin hua bei Street Securities Branch	Yipinhuangniu, Xin hua bei Street, Jiexiu City, Jinzhong City, Shanxi Province	Shi Jianhua
64	Jincheng Jingxi Road Securities Branch	Room 6, Commercial and Residential Building of Ruiqi Real Estate Development Co., Ltd., East of Jingxi Road, Jingcheng City, Shanxi Province	Kong Linli
65	Xiyang Xiacheng Street Securities	Branch Shop 24, Zhong Cheng Ya Ju, Xiacheng Street, Xiyang County, Jinzhong City, Shanxi Province	Fu Weihao
66	Xiaoyi Fuqian Street Securities Branch	Fuqian Street, Zhongyanglou Street, Xiaoyi City, Luliang Xiaoshi City, Shanxi Province (No. 16, Xianghe Xinyuan Shop)	Di Shouquan
67	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
68	Datong Liuquan South Street Securities Branch	No. 348, Liuquan Street, Ping Cheng District, Datong City	Ma Juntao

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No.	Name	Securities Branch Address	Person In Charge
69	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
70	Taixing East Street Securities Branch	G/F, No. 2, Yongsheng Court, Taixing East Street; 1-2/F, No. 5 Taixing East Street, Changzhi City	Cao Liwei
71	Hohhot Ulaanchabu East Street Securities Branch	Shop 101, Block B, Bolton Plaza, Ulaanchab East Road, Saihan District, Hohhot, Inner Mongolia Autonomous Region	He Jing
72	Hohhot Daxue West Street Securities Branch	Fengye Building, No.110, Daxue West Street, Saihan District, Hohhot City, Inner Mongolia Autonomous Region	Hou Jie
73	Baotou Wulan Road Securities Branch	No.6, 19 (A) Wulan Road, Kundulun District, Baotou City, Inner Mongolia Autonomous Region	Zhao Libin
74	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
75	Hulunbuir Qiaotou Street Securities Branch	3/F, Hulun Holiday Hotel, No.6- 8 Qiaotou Street, Hailar District, Hulunbuir City	Wang Jian
76	Shenyang Beizhan Road Securities Branch	59 Beizhan Road, Shenhe District, Shenyang City, Liaoning Province	Hu Yingxin
77	Shenyang Dabeiguan Street Securities Branch	1-2/F, Unit 2, 40 Dabeiguan Street, Dadong District, Shenyang City	Luo Xiaodong
78	Shenyang Hong Kong Road Securities Branch	16, 17, 18, No. 143, Hong Kong Road, Heping District, Shenyang City, Liaoning Province	Liu Dayong
79	Shenyang Sanjing Street Securities Branch	1-3/F, No. 95, Sanjing Street, South of Shenhe District, Shenyang City	Wen Jiuyu
80	Shenyang Jianshe East Road Securities Branch	Door 3, No. 76, Jianshe East Road, Tiexi District, Shenyang City	Xu Shan
81	Shenyang Long Yue Street Securities Branch	Gate 6, No. 6A, Long Yue Street, Hunnan District, Shenyang City, Liaoning Province	Chen Jinyan
82	Shenyang Changbai West Road Securities Branch	No. 36, Changbai West Road, Heping District, Shenyang City (36A, Changbai West Road)	Li Bin
83	Yingkou Liaohe Avenue Securities Branch	30-1 and 30-2, Liaohe Avenue, Zhanqian District, Yingkou City	Sun Ning
84	Fuxin Xinhua Road Securities Branch	Door 74-15, Xinhua Road, Haizhou District, Fuxin City	Liang Xiaogang
85	Liaoyang Laodong Street Securities Branch	East side of the 1st floor, Unit 1, Building No. 84, East, Xinyun Street, Baita District, Liaoning City, Liaoning Province	Tong Shengyong

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No.	Name	Securities Branch Address	Person In Charge
86	Panjin Shifu Street Securities Branch	2#, Kaisa Center, No. 1 Shifu Street, Xinglongtai District, Panjin City, Liaoning Province	Li Jinping
87	Dandong Caishenmiao Street Securities Branch	No. 41-1-11 Caishenmiao Street, Yuanbao District, Dandong City, Liaoning Province	Ding Qiang
88	Dalian Huanghe Road Securities Branch	Room B, C, D, Floor 5 of the Elevator, 620 Huanghe Road, Shahekou District, Dalian City, Liaoning Province	Cao Xianhe
89	Dalian Yide Street Securities Branch	Room 01, 08 & 07, 5/F, No. 20 Yide Street, Zhongshan District, Dalian City, Liaoning Province	Yan Tingting
90	Dalian Renmin Road Securities Branch	3/F, 71 Renmin Road, Zhongshan District, Dalian City, Liaoning Province	Zheng Yue
91	Dalian Xinkai Road Securities Branch	3/F, 99 Xinkai Road, Xigang District, Dalian City, Liaoning Province	Jia Kaizhou
92	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	Jin Li
93	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
94	Changchun West Minzhu Street Securities Branch	9/F, Building No. A2, Jinsheng International Project, Qianjinda Street, Chaoyang District, Changchun City	Yan Xiaomin
95	Changchun Renmin Street Securities Branch	No. 8688, Renmin Street, Nanguan District, Changchun, Jilin Province	Li Yantao
96	Jilin Jiangwan Road Securities Branch	Outlet No. 3, 4-2, Block 5, Sunshine Century City, No. 28 Jiangwan Road, Changyi District, Jilin City, Jilin Province	Wang Huanyu
97	Harbin West Tenth Street Securities Branch	5/F of Annex and 4/F of Main Building, Dongxing Building, 19 West Tenth Street, Daoli District, Harbin City	Liu Peijian
98	Harbin Zhongshan Road Securities Branch	1/F & 3/F, No. 252, Zhongshan Road, Nangang District, Harbin City	Li Naichen
99	Daqing Jingsan Street Securities Branch	No. 5, Jingsan Street, Saertu District, Daqing City, Heilongjiang Province	Li Jingzhong
100	Jiamusi Xilin Road Securities Branch	No. 1178, Xilin Road, Jiaoqu, Jiamusi City	Shi Xiaodan
101	Qiqihar Longhua Road Securities Branch	1-2/F, No. 25-1, Block 8, North Heping Yard, Tiefeng District, Qiqihar City, Heilongjiang Province	Liu Fang
102	Jixi Hongqi Road Securities Branch	4/F, No. 19 Hongqi Road, Xiangyang Office, Jiguan District, Jixi City, Heilongjiang Province	Wang Fang

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No.	Name	Securities Branch Address	Person In Charge
103	Mudanjiang Dongyitiao Road Securities Branch	No. 77 Dongyitiao Road, Dong'an District, Mudanjiang City, Heilongjiang Province	Chen Long
104	Harbin Jingjiang West Road Securities Branch	No. 2, Building 1, Building 2, 2372 Jingjiang West Road, Daoli District, Harbin	Zhang Bin
105	Shanghai Changning District Zhenning Road Securities Branch	Room 202, 2/F, No. 525 Zhenning Road, Changning District, Shanghai	Li Gequan
106	Shanghai Pudong New District Yuanshen Road Securities Branch	15/F, No. 92 Yuanshen Road, China (Shanghai) Pilot Free Trade Zone	Hua Yafeng
107	Shanghai Shijie Road Securities Branch	No. 95-lin 1, World Road, Yangpu District, Shanghai	Huang Xuqing
108	Shanghai Anye Road Securities Branch	124 Anye Road, Shanghai	Yu Lili
109	Shanghai Pudong New Area Bohua Road Securities Branch	2/F of 388-392, 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, Bohua Road, Pudong New Area, Shanghai	Ge Wanli
110	Shanghai Yangpu Jingyu East Road Securities Branch	Room 101, Room 201, No. 265 Jingyu East Road, Yangpu District, Shanghai	Wang Yisheng
111	Shanghai Hongjing Road Securities Branch	Room 202, 185 Hongjing Road, Shanghai	Chen Kai
112	Shanghai Yichuan Road Securities Branch	Room 101-102, 1/F and 2/F, No. 855-859 Yichuan Road, Jingan District, Shanghai	Kong Fei
113	Shanghai Shangnan Road Securities Branch	No. 1316, Shangnan Road, Pudong New District, Shanghai	Zhuang Yiye
114	Shanghai Gongkang Road Securities Branch	No. 328, Gongkang Road, Baoshan District, Shanghai	Jiao HongYan
115	Shanghai East Baoxing Road Securities Branch	12/F, 118 East Baoxing Road, Hongkou District, Shanghai	Xie Liangfeng
116	Shanghai Wulian Road Securities Branch	No. 11, Wulian Road, Pudong New District, Shanghai	Zhang Xuehong
117	Shanghai Xinzha Road Securities Branch	Room 603-604, No. 356 Xinzha Road, Huangpu District, Shanghai	Gu Kangkang
118	Shanghai Gushan Road Securities Branch	Room 403, 406, Building 1, No. 2399 Zhangyang Road, No. 538, Gushan Road, China (Shanghai) Pilot Free Trade Zone	Ma Lin
119	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

APPENDIX INFORMATION ON SECURITIES BRANCHES

No.	Name	Securities Branch Address	Person In Charge
120	Shanghai Linyi Road Securities Branch	Room 2004-2010, Room 2016-2025, 2nd Floor, Building 1, No. 188, Linyi Road, Hongkou District, Shanghai	Wu Jie
121	Shanghai Hengfeng Road Securities Branch	Room 201-1, 2nd Floor, 218 Hengfeng Road, Shanghai	Zhang Ye
122	Shanghai East Daming Road Bund Securities Branch	Room A, 4/F, 912 East Daming Road, Hongkou District, Shanghai	Song Wenjun
123	Shanghai Gubei Road Securities Branch	Room 02 and 01A, 7F, No.666, Gubei Road, Changning District, Shanghai (actual floor, Flat 602 and 601A)	Song Cheng
124	Shanghai Huangpu District Madang Road Securities Branch	Room A2205, No. 388 Madang Road, Huangpu District, Shanghai	Yang Xiaoyan
125	Shanghai Pudong South Road Securities Branch	1/F and 15/F, No. 855 Pudong South Road, China (Shanghai) Free Trade Pilot Zone	Chen Aiping
126	Shanghai Zhongshan North Road Securities Branch	Room 401-406, 408-412, 2917 Zhongshan North Road, Putuo District, Shanghai	Li Junyan
127	Shanghai Caobao Road Securities Branch	9/F, No. 3459, Caobao Road, Minhang District, Shanghai	Li Xinliang
128	Shanghai Putuo District Changde Road Securities Branch	Unit 102, 1/F, 1339 Changde Road, Putuo District Shanghai	Yuan Jiapeng
129	Shanghai Qingpu District Mingzhu Road Securities Branch	Room 106, No. 838 Mingzhu Road, Qingpu District, Shanghai	Zhang Huanlai
130	Shanghai Minhang District Chenxing Road Securities Branch	Room 218, 2/F, Block 1, No. 2388 Chenxing Road, Minhang District, Shanghai	Jin Qibao
131	Shanghai Baoshan District Luxiang Road Securities Branch	Room 101, 1/F, No. 2 Alley 111, Luxiang Road, Baoshan District, Shanghai	Zhu Yuewei
132	Shanghai Putuo District Daduhe Road Securities Branch	Room 505, 5/F, No. 26 Alley 168, Daduhe Road, Putuo District, Shanghai	Shen Yu
133	Shanghai Pudong New District Jingao Road Securities Branch	Room 108, No. 945, Jingao Road, Pudong New District, Shanghai	Huang Lei
134	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
135	Shanghai Yangpu District Songhu Road Securities Branch	Room 201, No. 433, Songhu Road, Yangpu District, Shanghai City	Li Yajun
136	Shanghai Sibao Road Securities Branch	1-2/F, No. 50, Sibao Road, Sijing Town, Songjiang District, Shanghai City	Xu Yongwei
137	Shanghai Jingang Road Securities Branch	Room 1110-1111, 11/F, No. 299, Jingang Road, China (Shanghai) Pilot Free Trade Zone	Zheng Chifei

APPENDIX INFORMATION ON SECURITIES BRANCHES

No.	Name	Securities Branch Address	Person In Charge
138	Shanghai Songjiang District Rongle East Road Securities Branch	1-2/F, No. 1919 Rongle East Road, Songjiang District, Shanghai	Chen Wu
139	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
140	Shanghai Xiangchuan Road Securities Branch	1-2/F, No. 398 Xiangchuan Road, Pudong New Area, Shanghai	Xu Bengu
141	Shanghai Qingpu District Xinfuzhong Road Securities Branch	Room 101, No. 1786_1784, Xinfuzhong Road, Huaxin Town, Qingpu District, Shanghai	Li Jiasen
142	Shanghai Gaoke East Road Securities Branch	No. 112, Building No. 8, Block 1, Alley 777, Gaoke East Road, Pudong New Area, Shanghai	Lu Bei
143	Shanghai Songjiang District Xinnan Road Securities Branch	Zone B, 1/F, No. 1015 Xinnan Road, Xinqiao Town, Songjiang District, Shanghai	Liu Yi
144	Tunxi North Road Securities Branch, Xuhui District, Shanghai	Room 604, Building C, No. 595, Tunxi North Road, Xuhui District, Shanghai	Sun Yu
145	Huancheng South Road Securities Branch of, Fengxian District, Shanghai, Shanghai	No. 1140-1142, Huancheng South Road, Fengxian District, Shanghai	Zhou Qun
146	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
147	Nanjing Shanghai Road Securities Branch	No.145, Shanghai Road, Gulou District, Nanjing City, Jiangsu Province	Cao Anming
148	Nanjing Zhujiang Road Securities Branch	No.1 Building, No. 714 Zhujiang Road, Xuanwu District, Nanjing City	Hu Kaitao
149	Nanjing Jiangdong Middle Road Securities Branch	Room 201, No. 213, Jiangdong Middle Road, Jianye District, Nanjing City	Wang Shenju
150	Nanjing Nanrui Road Securities Branch	Building 19, Wuyueyiyuan, 79 Nanrui Road, Gulou District, Nanjing City, Jiangsu Province	Ju Min
151	Yangzhou Wenchang Middle Road Securities Branch	No. 571, Wenchang Middle Road (Jianye Building), Jiansong Building, Yangzhou City, Lobby 101, 201	Ji Chunlei
152	Suzhou Sanxiang Road Securities Branch	No. 718, Sanxiang Road, Suzhou City, Jiangsu Province	Qian Chun
153	Zhenjiang Zhengdong Road Securities Branch	4th Floor, Building 4, 39 Zhengdong Road, Zhenjiang City	Zhong Sheng
154	Nanjing Jiangning Jinbo Road Securities Branch	Room 201, Building 3, 770 Jinbo Road, Dongshan Street, Jiangning District, Nanjing City	Yang Weixue

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No.	Name	Securities Branch Address	Person In Charge
155	Nanjing Huashen Avenue Securities Branch	No. 11-14, Huashen Avenue, Yuhuatai District, Nanjing City, Jiangsu Province	Zhou Xujie
156	Nantong Gongnong Road Securities Branch	Room 101 and 201, Jintang Building, No. 198 Gongnong Road, Chongchuan District, Nantong City	Wang Wei
157	Changshu Zhujiang East Road Securities Branch	No. 93 Zhujiang East Road, Changshu City, Jiangsu Province	Wang Fuxing
158	Yancheng Yingbin South Road Securities Branch	Room 102, Block 7, Northern District, Qianjiang Fangzhou Community, No. 126 Yingbin South Road, Yancheng City	Wang Zhijian
159	Wuxi Liangxi Road Securities Branch	Zone A, 1/F, 708 Liangxi Road, Wuxi	Liu Zhongxi
160	Jiangyin Hongqiao North Road Securities Branch	1st Floor of No.185 and Floor 2 of No. 181-185, Hongqiao North Road, Jiangyin City	Chen Zheng
161	Lianyungang Tongguan South Road Securities Branch	109, Jianyuanguanzhu Building, No. 102, Tongguan South Road, Haizhou District, Lianyungang City	Luo Fei
162	Rugao Jiankang Road Securities Branch	Business Room, No. 4, Block 809, Jiankang East Village, Rucheng Town, Rugao City, Jiangsu Province	Zhang Yuanchao
163	Zhangjiagang Shazhou West Road Securities Branch	No. 108, Middle Floor, 101#, No. 115, Shazhou West Road, Yangshe Town, Zhangjiagang City	Zhu Kechun
164	Changzhou North Street Securities Branch	No. 8-1, Yulong Garden, Zhonglou District, Changzhou City	Zhang Yu
165	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
166	Yixing Guibin South Road Securities Branch	1-2/F, No. 78 Guibin South Road, Xinjie Sub-district, Yixing City	Ji Xiaolong
167	Jiangyin Zhouzhuang Century South Avenue Securities Branch	No. 102 Century South Avenue, Zhouzhuang Town, Jiangyin City	Li Yuan
168	Taizhou Youth South Road Securities Branch	Room 103 & 104, No. 300 Youth South Road, Hailing District, Taizhou City	Zhang Zhan
169	Kunshan Xiaolin Road Securities Branch	No. 195-1 Xiaolin Road, Yushan Town, Kunshan City	Peng Xiaowu
170	Baoying Baitian Road Securities Branch	No. 100 Commercial Street, Baitian Road, Hongsheng New Town, Baoying County	Wang Wenxiang
171	Guanyun Renmin Middle Road Securities Branch	Room 102 & 202, Block 7, Jinling Imperial Garden, Renmin Middle Road, Yishan Town, Guanyun County, Lianyungang City	Xu Zhangyi
172	Suzhou Yueliangwan Road Securities Branch	Room 101-03, Zhongxin Building, No. 15 Yueliangwan Road, Suzhou Industrial Park	Luo Tianyi

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No.	Name	Securities Branch Address	Person In Charge
173	Taicang Shanghai East Road Securities Branch	Room 106 & 107, Block 3, No. 168 Shanghai East Road, Loudong Subdistrict, Taicang City	Gao Yang
174	Nanjing Chuangzhi Road Securities Branch	Room 101, No. 2 Chuangzhi Road, Jianye District, Nanjing City	Dai Rongming
175	Nanjing Pubin Road Securities Branch	Room 101, Block 5, CASTD Innovation Plaza, No. 150 Pubin Road, Jiangbei New Area, Nanjing City	Shi Lei
176	Nanjing Shuanglong Avenue Securities Branch	Room 102, No. 1306, Shuanglong Avenue, Jiangning District, Nanjing, Jiangsu, China	Xu Xiaosan
177	Xuzhou Huaihai East Road Securities Branch	Facade 104-3, No. 104 Huaihai East Road, Yunlong District, Xuzhou City, Jiangsu Province	Qin Song
178	Hangzhou Feng Qi Road Securities Branch	1-3/F, No.282, 3/F, No. 284, Fengqi Road, Xiacheng District, Hangzhou City, Zhejiang Province	Shen Qun
179	Hangzhou Fengqi Road Securities Branch	1/F and 3/F, 102 Stadium Road, Hangzhou City, Zhejiang Province	Chen Chuang
180	Hangzhou Shaoxing Road Securities Branch	Room 216-217, 303 Shaoxing Road, Hangzhou City, Zhejiang Province	Zhu Guowei
181	Hangzhou Gudun Road Securities Branch	Room 401, Unit 3, Building 1, Yuyingfang, Qinqinjiayuan, Sandun, Hangzhou City, Zhejiang Province (Extension of Gudun Road)	Sun Zhuo
182	Hangzhou Xintang Road Securities Branch	No. 13, Xintang Road, Hangzhou City, Zhejiang Province	Hu Jun
183	Jiande Xin'an Road Securities Branch	1/F, No. 195 and 3/F, No. 193-195, Xin'an Road, Xin'anjiang Street, Jiande City, Hangzhou, Zhejiang Province	Wu Hao
184	Hangzhou Genshan West Road Securities Branch	1/F and 7-8/F 220 Genshan West Road, Hangzhou City, Zhejiang Province	Wang Yueqian
185	Hangzhou Yuhang Qiushan Street Securities Branch	No.611-202, Qiushan Street, Donghu Street, Yuhang District, Hangzhou, Zhejiang, China	Gong Xiaojun
186	Tonglu Yingchun South Road Securities Branch	80, 82, Yingchun South Road, Tonglu County, Zhejiang Province	Tong Xialian
187	Shaoxing Securities Branch	No.146, Luxun Middle Road, Shaoxing City, Zhejiang Province	Shi Lei
188	Deqing Securities Branch	No. 251, Zhongxing South Road, Wukang County, Deqing Town, Zhejiang Province	Wu Tao
189	Huzhou Shiyuan Road Securities Branch	No. 883-885, Shiyuan Road, Nanxun County, Huzhou City, Zhejiang Province	Jin Huan
190	Shaoxing Shangyu Citizen Avenue Securities	Business Department No. 583-589, Citizen Avenue, Baiguan Street, Shangyu District, Shaoxing City, Zhejiang Province	Wang Xiaofeng

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No.	Name	Securities Branch Address	Person In Charge
191	Yiwu Chouzhou North Street Securities Branch	1-2/F, No. 661 and No. 663, Chouzhou, North Road, Yiwu City, Zhejiang Province	Chen Chengjue
192	Lanxi Sanjiang Street Securities Branch	No. 73, Sanjiang Road, Lanjiang Street, Lanxi city, Zhejiang Province	Ni Zhifang
193	Lishui Securities Branch No.	375, Dayang Road, Lishui city, Zhejiang Province	Xie Jianhong
194	Qingtian Longjin Road Securities Branch	2/F, No. 16, No. 18, No. 24, No. 18, Longjin Road, Hecheng Street, Qingtian County, Lishui City, Zhejiang Province	Yu Haigen
195	Longquan Hualou Street Securities Branch	No. 268, Hualou Street, Longquan city, Zhejiang Province	Yang Ye
196	Zhuchang Kaien Road Securities Branch	No. 106-113 B, Kaien Road, Miaogao Sub-district, Zhuchang County, Lishui City, Zhejiang Province	Yan Bin
197	Qingyuan Mengzhou Street Securities Branch	Shop 6, Block 7, Mengzhou Huayuan, 209 Mengzhou Street, Qingyuan County, Zhejiang Province	Zhang Yong
198	Wenzhou Danan Street Securities Branch	No. 201, 2nd Floor, Huadu Building, Danan Road, Lucheng District, Wenzhou city, Zhejiang Province	Peng Jie
199	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
200	Cangnan Station Avenue Securities Branch	Rom 201, Block 6, Shidai Dushi Plaza, Lingxi Town Station Avenue, Cangnan County, Wenzhou City, Zhejiang Province	Lin Guanshu
201	Huzhou Securities Branch	No.128, Hongqi Road, Huzhou City, Zhejiang Province	Fang Kai
202	Quzhou Xujiang Road Securities Branch	No. 65, 67, 69, Xujiang Road, Kecheng District, Quzhou City, Zhejiang Province	Wang Yijie
203	Changxing Jinling North Road Securities Branch	1st Floor, 2nd Floor, 310-312 Jinling North Road, Longshan Street, Changxing County, Huzhou City, Zhejiang Province	Zhu Zhengyi
204	Jiaxing Huancheng South Road Securities Business	Department No. 281, Huancheng South Road, Nanhu District, Jiaxing City, Zhejiang Province	Yang Jianmin
205	Pinghu Jiefang West Street Securities Branch	The 1st and 2nd Floor, No. 62, Jiefang West Road, Danghu Street, Pinghu city, Zhejiang Province	Sun Hangping
206	Jinhua Securities Branch	No. 393, Bayi South Road, Wucheng District, Jinhua city, Zhejiang Province	Zhong Xiaojun
207	Taizhou Yinzuo North Street Securities Branch	Lane 965, No.20-1 – 38-1 (even number), Lane 967 No. 23-1 – 43.1 (odd number), Lane 967 No. 41, Yinzuo North Street, Lubei Street, Luqiao District, Taizhou City, Zhejiang Province	Yu Wei

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No.	Name	Securities Branch Address	Person In Charge
208	Wenzhou Station Avenue Securities Branch	No. 10-11, 1/F, Buildings 1 and 2, Jinglong Building, Chezhan Avenue, Lucheng District, Wenzhou, Zhejiang Province	Tu Fenfang
209	Hangzhou Jiangbin West Avenue Securities Branch	16-1 to 16-2, Jiangbin West Avenue, Fuchun Street, Fuyang District, Hangzhou City, Zhejiang Province	Yu Heguo
210	Zhoushan Qiandao Road Securities Branch	1/F, Block A, Jianshe Building, No. 167 Qiandao Road, Lincheng Streets, Dinghai District, Zhoushan City, Zhejiang Province	Zhang Honglei
211	Linhai Duqiao Huancheng South Road Securities Branch	No. 367 Huancheng South Road, Duqiao Town, Linhai, Zhejiang Province	Ren Liqing
212	Taizhou Yinquan Road Securities Branch	188 Yinquan Road, Nanyuan Community, Xicheng Street, Huangyan District, Taizhou, Zhejiang Province	Mou Peng
213	Shaoxing Keqiao Jianhu Road Securities Branch	1-2/F, Block A, 27 Keqiao Jianhu Road, Keqiao District, Shaoxing, Zhejiang Province	Xu Jianguo
214	Chun'an Nanjing Road Securities Branch	No. 332 Nanjing Road, Qiandaohu Town, Chunan County, Hangzhou City, Zhejiang Province	Xu Xinri
215	Hangzhou Tiancheng East Road Securities Branch	No. 246-234, Tiancheng East Road, Hangzhou Economic and Technological Development Zone, (Block 1, Shangsha Yongyu Building) Zhejiang Province	Jin Xinjian
216	Taizhou Donghai Avenue	Securities Branch No. 680 & 682, Donghai Avenue, Taizhou City, Zhejiang Province	Huang Li
217	Zhuji Dongyi Road Securities Branch	No. 90 Dongyi Road, Huandong Subdistrict, Zhuji City, Shaoxing, Zhejiang Province	Zhou Jianzhi
218	Tongxiang Century Avenue Securities Branch	No. 1149, 1151, 1153, Century Avenue, Wutong Street, Tongxiang City, Jiaxing City, Zhejiang Province	Shen Danxia
219	Hangzhou Shixinzhong Road Securities Branch	No. 651 Shixinzhong Road, Beigan Subdistrict, Xiaoshan District, Hangzhou City, Zhejiang Province	Zhang Yong
220	Yongkang Wuzhou Road Securities Branch	1/F, Jinzhou Building, Yongkang Municipal Headquarters, Jinhua City, Zhejiang Province	Wu Jingyan
221	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
222	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
223	Cangnan Longgang Avenue Securities Branch	2/F, Kangxin Building, Longgang Avenue, Longgang Town, Cangnan County, Wenzhou City, Zhejiang Province	Yu Qianqian
224	Wenling Sanxing Avenue Securities Branch	No. 297 & 297-1 Sanxing Avenue, Taiping Sub-district, Wenling City, Taizhou City, Zhejiang Province	Chen Chao

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No.	Name	Securities Branch Address	Person In Charge
225	Anji Shengli West Road Securities Branch	No. 135-137 Shengli West Road, Changshuo Sub-district, Anji County, Huzhou City, Zhejiang Province	Wang Zhiwei
226	Haining Qianjiang West Road Securities Branch	No. 239,241, Qianjiang West Road, Haizhou Subdistrict, Haining City, Jiaxing City, Zhejiang Province	You Faqiang
227	Hangzhou Shipping International Building Securities Branch	Room 120 & 218, Block 2, Shipping International Building, Shangcheng District, Hangzhou City	Bao Sheng
228	Dongyang Shizi Street Securities Branch	No. 13 Shizi Street, Wuning Sub-district, Dongyang City, Zhejiang Province	Jin Kuang
229	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
230	Hangzhou Dengyun Road Securities Branch	No. 118-1 & 120 Denyun Road, Gongshu District, Hangzhou City, Zhejiang Province	Che Yu
231	Hangzhou Dongxin Road Securities Branch	No. 654 (Provisional) Dongxin Road, Xiacheng District, Hangzhou City, Zhejiang Province	Wang Jianping
232	Xinchang Lijiang Road Securities Branch	No. 111, Jingxin Building, Lijiang Road, Qixing Street, Xinchang County, Zhejiang Province	Yang Ting
233	Pujiang Renmin East Road Securities Branch	No.42, No.42-1, Renmin East Road, Puyang Street, Pujiang County, Zhejiang Province	Lou Jiani
234	Tiantai Chicheng Road Securities Branch	No. 267,269 Chicheng Road, Chicheng Street, Tiantai County, Taizhou City, Zhejiang Province	Chen Jinzhen
235	Ningbo Ningchuan Road Securities Branch	1-5-4 of No.1713, 1719, 1721, 1733 Ningchuan Road, No. 30 Anbo Road, No.32-2 Jianning Street, Yinzhou District, Ningbo City, Zhejiang Province	Zhou Hongliang
236	Ningbo Liuting Street Securities Branch	Room 1607-1610, 16/F, No.225 Liuting Street, Haishu District	Wang Yunguo
237	Ningbo Dazha South Road Securities Branch	9-1 and 9-2 of No.218 Xinyi Road, 1-2 of No.507 Dazha South Road, Jiangbei District, Ningbo City, Zhejiang Province	Yin Mingge
238	Ningbo Junzi Street Securities Branch	Room (2-8) (2-9), No. 19, Lane 88, Junzi Street, Haishu District, Ningbo	Li Hui
239	Ningbo Ningnan North Road Securities Branch	No. 1049 Ningnan North Road, Zhonggong Temple Street, Yinzhou District, Ningbo City	Zhou Yu
240	Fenghua Yuelin Road Securities Branch	No. 1-1, 1-2, 1-3, Yuelin Road, Jinpin Street, Fenghua District, Ningbo City, Zhejiang Province	Xu Ze
241	Yuyao Yangming West Road Securities Branch	No. 348, Yangming West Road, Yuyao City, Zhejiang Province	Xu Yan
242	Ningbo Daxie Xinchuang Road Securities Branch	61 Xinchuang Road, Daxie Development Zone, Ningbo	Liu Hengyi

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No.	Name	Securities Branch Address	Person In Charge
243	Ningbo Baizhang East Road Securities Branch	899, Baizhang East Road, Ningbo City, Zhejiang Province	Feng Yi
244	Cixi Ciyong Road Securities Branch	No. 314-318 Ciyong Road, Hushan Sub-district, Cixi City, Zhejiang Province	Yu Xiaolan
245	Hefei Jincheng Securities Branch	1/F and 10/F, No. 436, Changjiang Middle Road, Luyang District, Hefei City, Anhui Province	Wu Kan
246	Hefei Linqun Road Securities Branch	1/F and 5/F, Block B Xinguanghe Building, No.7377 Linqun Road, Luyang District, Hefei City, Anhui Province	Chen Xiaoqi
247	Ma'anshan Hudong Central Road Securities Branch	Block 2, Jufengyuan, 777 Hudong Central Road, Huashan District, Ma'anshan	Wang Gongman
248	Huangshan Xianrendong South Road Securities Branch	No. 2-40, Xianrendong South Road, Tunxi District, Huangshan, Anhui Province	Lu Wenbin
249	Hefei Tunxi Street Securities Branch	1-2/F, East Podium, Xueyuan Building, No. 525 Huizhou Avenue, Baohe District, Hefei City	Wang Wei
250	Hefei Qimen Street Securities Branch	Office 1301, 1310, Block A, Xindi Center, No. 333 Qimen Road, Hefei City, Anhui Province	Kong Jun
251	Wuhu Limin West Street Securities Branch	Taixin Business Center (Huarun Suguo Limin Shopping Mall), Yijiang District, Wuhu city, Anhui Province	Gao Xuemin
252	Bengbu Donghai Street Securities Branch	No. 5183 (1/F, East of Business Building, South of Zhanggongshan Park), Donghai Road, Bengbu City, Anhui Province	Zhou Yingyu
253	Anqing Jixian South Road Securities Branch	No. 2 Jixian South Road, Dagan District, Anqing City, Anhui Province	Ji Xiong
254	Huainan Guangchang Road Securities Branch	Shop No. 116, 215, 216, Lucheng Garden, Plaza Road, Tianjiaan District, Huainan City, Anhui Province	Wang Tao
255	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
256	Tongling Yi'an Avenue Securities Branch	Room C102, Fortune Plaza, No. 1287 Yi'an Avenue North, Tongling City, Anhui Province	Han Hong
257	Fuyang Huaihe Road Securities Branch	Room 7#111, Zone A-3, Wanda Plaza, No. 789 Huaihe Road, Qinghe Subdistrict Office, Yingzhou District, Fuyang City	Deng Guxia
258	Chizhou Shicheng Avenue Securities Branch	Room 102, Block 1, Kaixuanmen, Shicheng Avenue, Chizhou City, Anhui Province	Xu Xiaolong
259	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

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No.	Name	Securities Branch Address	Person In Charge
260	Fuzhou Dongshui Street Securities Branch	3rd Floor, No. 55, Design Building Dongshui Road, Gulou District, Fuzhou City	Zheng Qingyu
261	Zhangzhou Shuixian Street Securities Branch	Room D3, Building D-E, Rongchang Square, Rongchang Garden, Shuixian Street, Longwen District, Zhangzhou City, Fujian Province	Lei Jintao
262	Fuzhou Yeshan Road Securities Branch	4th Floor, Zonghe Building, No. 105 Yeshan Road, Gulou District, Fuzhou City, Fujian Province	Lin Jiqing
263	Quanzhou Nanjun Road Securities Branch	No. 132, Nanjun North Road, Dongsheng Community, Kaiyuan Subdistrict, Licheng District, Quanzhou City, Fujian Province	Wu Liangkai
264	Sanming Liedong Street Securities Branch	Shop 6,7,8, 1/F, Block 362, Gan Long New Village, Meilie District, Sanming City	Peng Dezhaoh
265	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
266	Putian Yanshou Zhongjie Securities Branch	Room 104, Room 105, Room 106, Level 1, Building E, Liyuan Community, No. 1786, Yanshou Middle Street, Gongchen Street, Wucheng District, Putian City, Fujian Province	Ke Longcai
267	Ningde Securities Branch	Room 101 & 201, Block 1, Qinghua Court, No. 39 Jiaocheng South Road, Jiaocheng District, Ningde City, Fujian Province	Chen Gang
268	Yunxiao Jiangjun Avenue Securities Branch	No. 101-103, Block 7, Yijing Sunshine, Jiangjun Avenue, Yunxiao County, Fujian Province	Fang Zhongzhong
269	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
270	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
271	Longyan Shuanglong Road Securities Branch	Shop F24, F25 & F26, Wanda Plaza, No. 1 Shuanglong Road, Caoxi Subdistrict, Xinluo District, Longyan City, Fujian Province	Gu Weidong
272	Nanping Binjiang West Road Securities Branch	112#, Building 16, Wanda Central Huacheng, Binjiang West Road, Tongyou Group, Wuyi New District, Nanping City	You Zhifeng
273	Xiamen Meihu Street Securities Branch	No. 75-87, Meihu Road, Xiamen City	Chen Huashu
274	Xiamen Minzu Road Securities Branch	Unit 1702 & 1703, Century Center, No. 50 Minzu Road, Siming District, Xiamen City	Ding Fuyun

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No.	Name	Securities Branch Address	Person In Charge
275	Xiamen Jiahe Street Securities Branch	The 5th Floor, Block C New Jingyuan Center, No. 25, Jiahe Road, Siming District, Xiamen City	Zeng Wenqing
276	Xiamen Tongan Xiangping Securities Branch	Block 6, No. 72, Xiqiao Road, Xiangping Street, Tongan District, Xiamen City	Wei Xiangfei
277	Xiamen Haitian Road Securities Branch	Unit 39-5, 39-6, No. 39 Haitian Road, Huli District, Xiamen City	Chen Sunkai
278	Xiamen Tapu East Road Securities Branch	Room 102, No. 171 Tapu East Road, Siming District, Xiamen City	Wang Junzhao
279	Xiamen Honglian Road Securities Branch	Unit 102, No. 17 Honglian Road, Siming District, Xiamen City	Yan Dongsheng
280	Nanchang Yangming Road Securities Branch	1/F, 3/F and Room 411-412 of 4/F, Jiangxi Raobo News Building, No.190 Yangming Road, Donghu District, Nanchang City, Jiangxi Province	Jin Zicheng
281	Nanchang Honggutan New Area Securities Branch	Room 101-104, 201-204, 301-304, Commercial Building, 1# Commercial House, Shimao Tiancheng, 1850 Honggu Middle Road, Honggutan New District, Nanchang, Jiangxi, China	Gong Mingqing
282	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
283	Shangrao Daihu Road Securities Branch	No.1-1, Block 2, No. 50 Daihu Road, Xinzhou District, Shangrao City, Jiangxi Province	Wang Jianhong
284	Nanchang Hongguzhong Avenue Securities Branch	Room 105, Storefront, Block 2, District 1, Wan Da Xing Cheng Phase 3, Honggutan New District, Nanchang City, Jiangxi Province	Zhang Guoqing
285	Yudu Lianxi Road Securities Branch	12-1#109, Xuefu Commercial Street, Lianxi Road, Gongjiang Town, Yudu County Xie Jian	Xie Jian
286	Nanchang Liantang Securities Branch	No. 888 Lianxi Road, Liantang Town, Nanchang County, Nanchang City, Jiangxi Province	Sun Jia
287	Pingxiang Shaoshandong Road Securities Branch	Room 109-112, Block 1, Kaixuan Shangri, No. 789 Shaoshandong Road, Anyuan District, Pingxiang City, Jiangxi Province	Li Jin
288	Yantai Securities Branch	No.175, Xinanhe Road, Zhifu District, Yantai City, Shandong Province	Zhang Huasheng
289	Weifang Beihai Road Securities Branch	North side of 1F, Fortune International Business Building, No. 4931 Beihai Road, Kuiwen District, Weifang City, Shandong Province	Zhong Jian
290	Zibo Linzi Street Securities Branch	No. 698, Linzi Street, Linzi District, Zibo City Shandong Province	Wu Tao

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No.	Name	Securities Branch Address	Person In Charge
291	Jinan Wuyuan Street Securities Branch	Room 05, 06, 13th Floor, No. 102, Wuyuan Street, Lixia District, Jinan City (Business Venue: Unit L112-2, No. 106 Lixia Avenue)	Wu Yunpeng
292	Weihai Tongyi Road Securities Branch	1-2/F North Wing, No.57 Tongyi Road, Huancui District, Weihai City, Shandong Province	Shao Renhang
293	Jining Guanghe Road Securities Branch	Yinhe Building, No. 18 Guanghe Road, Jining City	Tu Fangan
294	Dongying Fuqian Avenue Securities Branch	Shops No. 110-210,111-211, Building No. 8, South of the intersection of Yimeng Road and Yinqishan Road, Lanshan District, Linyi City, Shandong Province	Wang Gang
295	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)	Xu Yingying
296	Rizhao Weihai Road Securities Branch	Room 102, 01 Unit, Block 1AB, B District, Xinyinghuafu, Weihai Road, Donggang District, Rizhao City, Shandong Province	Xing Lin
297	Liaocheng Dongchang West Road Securities Branch	No.111 Dongchang West Road, Dongchangfu District, Liaocheng City, Shandong Province	Wang Yongmei
298	Tai'an Changcheng Road Securities Branch	No. 09, Block 1, Dazhan Xincheng Guoji, West side of Beishou, Changcheng Road, Tai'an City	Lv Huawei
299	Dezhou University West Road Securities Branch	1-2/F, No. 2, Block 2, Huajin Garden, University West Road, Tianqu Subdistrict Office, Decheng District, Dezhou City, Shandong Province	Wang Zheng
300	Binzhou Huanghe Fifth Road Securities Branch	No. 356 Huanghe Fifth Road, Bincheng District, Binzhou City, Shandong Province	Xin Tong
301	Qingdao Nanjing Road Securities Branch	No. 100-E, Nanjing Road, Shinan District, Qingdao	Zhang Zhenping
302	Qingdao Hong Kong West Road Securities Branch	Block 1-5, No. 22, Xianggang West Road, Shinan District, Qingdao City	Liu Zhangyang
303	Qingdao Development Zone Securities Branch	Room 201, Building No. 1, Block 27, No. 157 Dongjiang Road, Huangdao District, Qingdao City, Shandong Province	Zou Haimiao
304	Qingdao Qinling Road Securities Branch	No. 107, Tower House, Haiyun Dongfang Building, No. 15, Qinling Road, Laoshan District, Qingdao City, Shandong Province	Ma Yong
305	Qingdao Harbin Road Securities Branch	No. 204, Block 2, Commercial Building, No. 52 Harbin Road, Shibe District, Qingdao City, Shandong Province	Duan Zhiqiang
306	Qingdao Jimo City Yanqing Road Securities Branch	No. 510 Yanqing Road, Jimo City, Qingdao City, Shandong Province	Du Weichao

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No.	Name	Securities Branch Address	Person In Charge
307	Zhengzhou Wisdom Island Securities Branch	202-206, 2/F, Lifeng International Building, No.6, Shangxian Street, Longzihu, Zhengdong New District, Zhengzhou City	Wang Junzhao
308	Zhengzhou Longhai Street Securities Branch	4th Floor, No. 59, Longhai Road, Zhengzhou City	Zhang Yao
309	Zhengzhou Dongfeng Road Securities Branch	103, Block 3, No.217 Dongfeng Road, Jinshui District, Zhengzhou City	Wang Chunxia
310	Zhengzhou Nanyang Street Securities Branch	Heli Building, Attached No. 16, No. 76 Huanghe Road, Jinshui District, Zhengzhou City	Zhang Qingjun
311	Zhengzhou Shanhe Securities Branch	No. 39, Weiwu Road, Jinshui District, Zhengzhou City	Ma Chaoqun
312	Xuchang Wenfeng Road Securities Branch	1732 Wenfeng Middle Road, Weidu District, Xuchang City, Henan Province	Pan Haixia
313	Xinxiang Youyi Road Securities Branch	Room 107, 1-2/F, Building 28, 103 Factory Residential Community, No. 1 Youyi Road, Xinxiang City	Wang Qingfeng
314	Luoyang Taikang Road Securities Branch	105, Building 3, Yuanhua International City Apartment, 30 Taikang Road, Luolong District, Luoyang City, Henan Province	Li Minghe
315	Ruzhou Securities Branch	No. 54 Chengyuan North Road, Ruzhou City	Fu Wei
316	Zhumadian Wenming Avenue Securities Branch	Northwest Corner of the Intersection of Fengze Road and Wenming Road, Zhumadian Development Zone	Niu Chang
317	Xinyang Beijing Road Securities Branch	Shop 108, 208 & 209, Block 9, Zhengtong Guihua Court, No.187 Beijing Road, Shihe District, Xinyang City	Jiang Bo
318	Kaifeng Hanxing Road Securities Branch	Kaifeng City, Hanxing Road and Huanghe Road intersection, Sena left bank, Building 8, Shop No. 3	Wang Dong
319	Wuhan Aomen Street Securities Branch	No.123, Aomen Road, Jiangan District, Wuhan City, Hubei Province	Zhang Baohe
320	Wuhan Hanyang Securities Branch	No.155, Yingwu Avenue, Hanyang District, Wuhan	Wang Xuan
321	Wuhan Zhongnan Road Securities Branch	3, Business Conference Center, No.1, Hongshan Road, Wuchang District, Wuhan City, Hubei Province	Gu Xiongfei
322	Wuhan Xinhua Road Securities Branch	Room 2, 3/F and Room 2, 1/F, Building C, Huainan Building, No. 222, Development Avenue, Jiangnan District, Wuhan City, Hubei Province	Xiong Feng
323	Wuhan Jiyuqiao Securities Branch	Room 12, 13, 14, 15, 1-2/F, Block 12,13, Wuhan Jiyuqiao Wanda Plaza (Phase II), No.98 Linjiang Avenue, Wuchang District, Wuhan City	Ye Jun

APPENDIX INFORMATION ON SECURITIES BRANCHES

No.	Name	Securities Branch Address	Person In Charge
324	Wuhan Wuluo Street Securities Branch	No. 2-3, 4/F, & No. 105, 1/F, Future Apartment, No. 668 Wuluo Road, Hongshan District, Wuhan City	Wu Zhonghao
325	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	Dong Lintao
326	Wuhan Zhuankou Ning kang Street Securities Branch	No. 262-267, Shenlong Commercial Street, No. 69 Ning kang Road, Wuhan Economical and Technical Development Zone	Dai Dongchen
327	Yichang New Century Securities Branch	No. 21, Yunji Road, Yichang City, Hubei Province	Gong Aimin
328	Jingmen Securities Branch	No.118, Xiangshan Street, Dongbo District, Jingmen City, Hubei Province	Wang Wei
329	Shayang Hanjin Street Securities Branch	No. 53, Hanjin Road, Shayang County, Jingmen City, Hubei Province	Tong Dehong
330	Xiangyang Securities Branch	No. 301, 302, 3/F, Block 5, Minfa Century New Town, Changhong Road, Fancheng District, Xiangyang City	Yu Rongyan
331	Zaoyang Securities Branch	2nd Floor, Yulongju Office Building, Middle Section of Renmin Road, Zaoyang City	Tian Guosheng
332	Wuhan Guanggu Securities Branch	No. 01, 2/F, Unit 1, Building 10 (formerly 3), Guanggu Venture Street, Dongxin Road, Donghu New Technology Development Zone, Wuhan City	Zhang Renfei
333	Changsha Furong Middle Street Securities Branch	No. 275, 2nd of Furong Middle Road, Yuhua District, Changsha City	Zou Wenchao
334	Loudi Leping Avenue Securities Branch	The eighth and ninth floors of No. 266, Leping Avenue East, Louxing District, Loudi City, Hunan Province	Zhang Tao
335	Changsha Jiefang Middle Road Securities Branch	5th Floor, Huaqiao Building, No. 18 Jiefang Middle Road, Furong District, Changsha City	He Boyuan
336	Xiangtan Furong Central Road Securities Branch	No. 0101004 Zhongyi International, No. 52 Furong Central Road, Baota Streets, Yuetang District, Xiangtan City	Feng Jun
337	Zhuzhou Lushan Road Securities Branch	1424, Zhongxin Lushan No.1, No.188, Lushan Road, Tianyuan District, Zhuzhou City, Hunan Province	Xue Shan
338	Shaoyang Hongqi Road Securities Branch	No. 460 Hongqi Road, Daxiang District, Shaoyang City	Li Yalin
339	Huaihua Yingfeng West Road Securities Branch	No. 152 Yingfeng West Road, Hecheng District, Huaihua City, Hunan Province	Tan Gongxian

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No.	Name	Securities Branch Address	Person In Charge
340	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
341	Hengyang Jiefang Avenue Securities Branch	1/F, Zijin Garden, No. 4 Jiefang Avenue, Hengyang High-tech Zone, Hunan Province	Feng Ling
342	Yueyang Jianxiang Road Securities Branch	Shop 1102, Tianlun International, No. 599 Jianxiang Road, Yueyanglou District, Yueyang City	Wei Hua
343	Zhangzhou Renmin East Road Securities Branch	No. 201, No. 11, Renmin East Road, Beihu District, Chenzhou City, Hunan Province	Yan Xin
344	Changsha Furong Road Securities Branch	32002-32004, Office Building, T6 Building, Fuxing • World Financial Center, No. 303, Section 1, Furong Middle Road, Dongfeng Road, Kaifu District, Changsha City	Liu Te
345	Guangzhou Tianhe North Road Securities Branch	Part of the 1st to 3rd Floors, Guangzhou Building, No. 90-108, Tianhe North Road, Tianhe District, Guangzhou City	Shi Nan
346	Guangzhou Dongfeng Middle Road Securities Branch	Shop 401, 402, 403-1, 4/F, Zhujiang Yide Building, No. 362 Dongfeng Middle Road, Yuexiu District, Guangzhou City	Zeng Jun
347	Guangzhou Zhongshan 2nd Street Securities Branch	Unit O 1/F and Unit 203-213 2/F, Dianxin Square, No. 18, Zhoangshan 2nd Road, Yuexiu District, Guangzhou City	Pan Xiang
348	Guangzhou Huanshi East Road Securities Branch	No. 336, 3/F, Huanshi East Road, Yuexiu District, Guangzhou City	Xu Bier
349	Guangzhou Huaxia Road Securities Branch	Units 02-04A (self-made number), 24/F, Yajule Centre, 26 Huaxia Road, Tianhe District, Guangzhou	Xiong Wenfeng
350	Jieyang Wangjiang North Street Securities Branch	No. 52 Sunwen East Road, Shiqi District, Zhongshan City, Guangdong Province	Wei Dan
351	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
352	Zhongshan Huangpu Xinfeng North Road Securities Branch	Shop 02, 03, 09, 10, 11, Building 7 Lantian Jindi Garden, No. 63 Xinfeng North Road, Huangpu Town, Zhongshan City, Guangdong Province	Yang Xinsheng
353	Zhongshan Xiaolan Zijin East Road Securities Branch	B Unit, 2/F, No. 70 Xiaolan Zijin East Road, Zhongshan City, Guangdong Province	Ye Shaowen
354	Foshan Shunde Daliang Securities Branch	Zone A, Floor 4, Xindeye Business Center, Jincheng Garden, No. 11 Dongle Road, Yun Road, Shunde District, Foshan City, Guangdong Province	Tian Dongmei
355	Foshan Shunde Ronggui Securities Branch	Shops No. 9-15, 1/F, Block C, Happiness Garden, Middle Guizhou Street, Happiness Neighborhood Committee, Ronggui, Shunde District, Foshan City, Guangdong Province	Shao Xinglu

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No.	Name	Securities Branch Address	Person In Charge
356	Foshan Shunde Lecong Securities Branch	No. 305, No. 306, Steel Trade Building, No. A1, Xinhua Road, Lecong Community Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province	Qi Xixia
357	Foshan Securities Branch	No. 2, Renmin West Road, Shancheng District, Foshan City, Guangdong Province	Wu Hui
358	Foshan Nanhai Guiping West Street Securities Branch	No. 106 Shop, Block 1, Unit 1, 2, Office, 12/F, Block 2, Yineng International Plaza, No.2 Guilan North Road, Guicheng Street, Nanhai District, Foshan City, Guangdong	Cao Wuquan
359	Zhanjiang Lu Hua Street Securities Branch	Office 1004-1008, 10th Floor, No.7 Amenity Building, No. 48, Lu Hua Street, Zhanjiang Development Zone and 1022A Shop, 1st Floor, No. 8 Commercial Podium, Lu Hua Street, Zhanjiang Development Zone	Lin Wenqing
360	Huizhou Wenming 1st Street Securities Branch	908-912 Unit, Floor 9, Fushen Building, No. 9, Jiangbei Wenming Road, Huicheng District, Huizhou City, Guangdong Province	Chen Zhenfang
361	Zhuhai Ji Da Street Securities Branch	District B, 1st Floor, No.99, Ji Da Street, Xiangzhou District, Zhuhai City, Guangdong Province	Miao Di
362	Dongguan Dongcheng Central Road Securities Branch	701 and 702, Junhao Business Centre, Dongcheng Central Road, Gangbei, Dongcheng Street, Dongguan, Guangdong Province	Sun Bao
363	Shantou Songshan Road Securities Branch	Room 504, 505, 506, Block 7, Fengzezhuang West District, Songshan Road, Longhu District, Shantou City, Guangdong Province	Chen Chengtong
364	Shantou Chenghai Securities Branch	Floors 1 to 4, Jingtai Plaza, Block C21, Huijing Garden, Chenghai District, Shantou City, Guangdong Province	Chen Zhihua
365	Shantou Chaoyang Securities Branch	No. 36, Dongshan Street, Chaoyang District, Shantou City, Guangdong Province	Cai Baodong
366	Shantou Jinsha Road Securities Branch	10/F, No. 97, Jinsha Road, Shantou City, Guangdong Province	Huang Shaoyong
367	Shantou Jinsha Road Second Securities Branch	Shop No. 1, 2 (101 with 201, 102 with 202) and Shop No. 1, 2, 3 (201, 202, 203) of Building 7, Fenghua Garden, No. 192, Jinsha Road, Longhu District, Shantou City, Guangdong Province	Lan Jiekai
368	Guangzhou Panyu Wanbo Fourth Road Securities Branch	301-1, Block 2, No. 42 Wanbo Fourth Road, Nancun Town, Panyu District, Guangzhou City	Liang Jian
369	Jiangmen Development Avenue Securities Branch	Room 1201-1204, Block 1, Jiangmen Wanda Plaza, Pengjiang District, Jiangmen City, Guangdong Province	Chen Gang

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No.	Name	Securities Branch Address	Person In Charge
370	Jieyang Wangjiang North Street Securities Branch	No.16, The 1st and 2nd Floor, Hemeiyuan Wangjiang North Road, Rongcheng District, Jieyang City, Guangdong Province	Cai Zelin
371	Zhanjiang Lianjiang Nan Bei Road Securities Branch	No. 18 New District of Nan Bei Road, Lianjiang, Zhanjiang, Guangdong Province	Luo Yufeng
372	Dongguan Humen Avenue Securities Branch	Shop 102, West, Top Floor, No. 9 Building C5 Hengyu Bay, Xinghu Avenue, Zhaoqing City, Guangdong Province	Zhu Jiankun
373	Guangzhou Nansha Haibin Road Securities Branch	115, 116, 117, 126 & 127, No. 169, Haibin Road, Nansha Street, Nansha District, Guangzhou	Chen Wenyuan
374	Zhongshan Sanxiang Jingguan Avenue Securities Branch	Cart 48, Jing Guan Hao Ting, No. 2 Jingguan Avenue, Sanxiang Town, Zhongshan City, Guangdong Province	Ning Shaojun
375	Foshan Nanzhuang Dijing North Road Securities Branch	P1, 1/F, District 3, No. 16 Dijing North Road, Shichian Town, Foshan City, Guangdong Province	Chen Wenfeng
376	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
377	Zhongshan Cuiling Road Securities Branch	Cart 17, 2/F, Block 1, Tian Qing Hui Fu, No. 2 Cuiling Road, Huoju Development Zone, Zhongshan City, Guangdong Province	Lin Junbin
378	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, Guangdong Province	Guan Shaoxia
379	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, Guangdong Province	Ning Ximing
380	Foshan Nanhai Dali Securities Branch	Room 605, 6th Floor, Rui Bao Commercial Building, No. 11 Xin Cheng Road, Dali Town, Nanhai District, Foshan City, Guangdong Province	Wu Riwen
381	Zhanjiang Renmin Avenue Central Securities Branch	Shop 05, 1/F, Chengshi Shangpin Building, 40 Renmin Avenue Central, Zhanjiang Development Zone, Guangdong Province	Qiu Meiyang
382	Guangzhou Zengcheng Licheng Street Securities Branch	Room 1001, No. 20-1, Minle Road, Licheng Street, Zengcheng, Guangzhou City	Yang Ruizhen
383	Guangzhou Yuejiang Central Road Securities Branch	Room 106, 301 No. 686, Yuejiang Central Road, Haizhu District, Guangzhou City	Cheng Shixuan
384	Zhanjiang Leizhou Xihu Avenue Securities Branch	Shop 103, Block C1, Long Jing Ming Ju, 99C Xihu Avenue, Leizhou City, Guangdong Province (inside the former Light Machinery Factory)	Zhuang Qing

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No.	Name	Securities Branch Address	Person In Charge
385	Guangzhou Fangcun Avenue West Securities Branch	1/F, 2/F, No. 295 Fangcun Avenue West, Liwan District, Guangzhou City	Li Lijun
386	Guangzhou Guan hong Road Securities Branch	Room 201-205, 207 and 208, 2/F, No. 12 Guan hong Road, Luogang District, Guangzhou City	Long Ming
387	Guangzhou Airport Road Securities Branch	Room 106A, No. 585 Airport Road, Baiyun District, Guangzhou City	Dong Siyi
388	Meizhou Yanjiang West Road Securities Branch	No. 32, Yanjiang West Road, Meizhou City, Guangzhou Province	Sima Wanxia
389	Qingyuan Yinquan South Road Securities Branch	105 and 106, Commercial Building 7, Wanke Huafu, 31 Yinquan South Road, Xincheng, Qingyuan, Guangdong Province	Zhu Guang
390	Guangzhou Dasha East Road Securities Branch	Shops 101 and 102, 205 Dasha East Road, Huangpu District, Guangzhou	Yang Haiyan
391	Chaozhou Chaofeng Road Securities Branch	Shops No. 9-10 and Office No. 3 at mezzanine and 2/F, Block A, Chaofa Garden, Chaofeng Road, Chaozhou, Guangdong Province	Li Hao
392	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, Guangdong Province	Chen Yuxiang
393	Guangzhou Huacheng Avenue Securities Branch	1/F (Portion: a unit of Room 103 (selfnumbered)), No. 665 Huacheng Avenue, Tianhe District, Guangzhou City	Chen Yi'ang
394	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
395	Foshan Shunde Guotai South Road Securities Branch	Shop 13 and 14 of Poly Zhonghui Garden, No. 2, Guo Tai South Road, Daliang De He Neighbourhood Committee, Shunde District, Foshan, Guangdong Province	Shen Chun
396	Guangzhou Binjiang East Road Securities Branch	Room 101, No. 554-3, Binjiangdong Road, Haizhu District, Guangzhou City	Chen Xiongwen
397	Heyuan Yuewang Avenue Securities Branch	Shops 45 & 46, Huayi Court, Guangcheng Zhongyuan Square, No. 102 Yuewang Avenue, Yuancheng District, Heyuan City, Guangdong Province	Huang Weitian
398	Huizhou Danshui Securities Branch	Shops 11, 12 & 13, 2/F, Block 3, Enswan Business Culture Center, Danshui Tuhu Liuwubei, Huiyang District, Huizhou City, Guangdong Province	Zhou Xijin
399	Zhongshan Xingwen Road Securities Branch	Unit 50, 1/F, Block 7-12, Dijing Dongfang Garden, 13 Xingwen Road, East District, Zhongshan City, Guangdong Province	Wan Canrong

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No.	Name	Securities Branch Address	Person In Charge
400	Dongguan Dongjun Road Securities Branch	Shops A102 & A103, Dongjun Haoyuan Phase I, No. 28 Dongjun Road, Hongtu Community, Nancheng Subdistrict, Dongguan City, Guangdong Province	Jiang Lili
401	Shaoguan Jiaoyu Road Securities Branch	Shops 14-18, Hongye Youshan Meidi Garden, No. 279 Kangle Village, Jiaoyu Road, Wujiang District, Shaoguan City, Guangdong Province	Zhou Qinghua
402	Foshan Shunde Yixing Road Securities Branch	Shop Area 05, 8/F, Area A10, First Floor, Yingfeng Center, No.8, Yixing Road, Junlan Community, Beijiao Town, Shunde District, Foshan City, Guangdong Province	Wang Xiang
403	Zhuhai Hengqin Securities Branch	Block B, Level 6, Building 6, Hengqin Financial Industry Development Base, Hengqin New District, Zhuhai City	Liang Yuhua
404	Shenzhen Shennan Avenue Securities Branch	Unit 4501, Block A, Caiwuwei Jingji 100 Building, No. 5016 Shennan East Road, Luohu District, Shenzhen City	Lin Jianmin
405	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
406	Shenzhen Luohu Securities Branch	1301-1302 13/F and 1501-1506 15/F, East Financial Building, No. 2020, Dongmen Middle Road, Luohu District, Shenzhen	Fang Peng
407	Shenzhen Shenye Shangcheng Securities Branch	Units 5301 and 5302 of T2 Building, Shenye Shangcheng (South District), No. 5001 Huanggang Road, Huancheng Village, Huafu Street, Futian District, Shenzhen	He Qiang
408	Shenzhen Jingtian Securities Branch	2/F, Saigejingyuan Building, 17 West Jingtian Road, Futian District, Shenzhen City	Lin Yibin
409	Shenzhen Xianglin Road Securities Branch	701-705 Fuchun Oriental Building, Xianglin Road, Futian District, Shenzhen City	Zhou Fangyu
410	Shenzhen Fuhua First Road Securities Branch	Unit 05, 06, 27th Floor, China Life Building, 123 Fuhua 1st Road, Fu'an Community, Futian District, Shenzhen, China	Hu Xuemei
411	Shenzhen Longxiang Avenue Securities Branch	Room 0211-0214, Ziwei Court Clubhouse, Ziwei Garden, No. 7097 Longxiang Avenue, Longcheng Subdistrict, Longgang District, Shenzhen City	Zhou Lijun
412	Shenzhen Minzhi Securities Branch	Building 145, Building 7, Qilixiang, Daling Community, Minzhi Street, Longhua District, Shenzhen, China	Shen Dan
413	Shenzhen Pingshan Xinfa	810, 811, 812, Zhongtian Meijing Building, No. 2009 Pingshan Avenue, Liulian Community, Pingshan Street, Pingshan District, Shenzhen	Liu Jianrong

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No.	Name	Securities Branch Address	Person In Charge
414	Shenzhen OCT Securities Branch	604, Hantang Building, Overseas Chinese Town, Nanshan District, Shenzhen City	Yang Haoyuan
415	Shenzhen Longhua Securities Branch	305 and 306, Henghe International Building, Donghuan 1st Road, Longhua Street, Longhua New District, Shenzhen	Yin Xinmin
416	Shenzhen Shuibei Securities Branch	1101A, Block A, Shui Pei Zhu Bao Headquarters Building, No. 3008 Xin Road, Dong Xiao Street, Luohu District, Shenzhen, Guangdong Province	Chen Xinghua
417	Shenzhen Jintian Road Securities Branch	2004, Zhongzhou Building, No. 3088 Jintian Road, Gangxia Community, Futian Street, Futian District, Shenzhen	Dong Xinxing
418	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
419	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	Zhang Yan
420	Shenzhen Guangming Securities Branch	No. A25 & A26, Block 1, North Zone, Fuying Zhongyang Mountain Garden, Zhenming Road, Gongming Subdistrict, Guangming New Area, Shenzhen	Huang Huican
421	Shenzhen Bantian Securities Branch	No. 201, 2/F, Tower D, Galaxy WORLD, No. 1 Yabao Road, Bantian Subdistrict, Longgang District, Shenzhen	Li Kaien
422	Shenzhen Nanshan Coastal City Securities Branch	Unit 1111, East Block, Coast Building, No. 15 Haide 3rd Road, Yuehai Street, Nanshan District, Shenzhen	Hu Yuehang
423	Shenzhen Tianan Yungu Securities Branch	Building 106, Phase 1, Tian'an Yungu Industrial Park, Gangtou Community, Bantian Street, Longgang District, Shenzhen, China	Zhang Haiyu
424	Nanning Yuan, Hunan Road Securities Branch	No.12-2 Yuanhu South Road, Qingxiu District, Nanning City	Huang Jianhua
425	Guilin Middle Zhongshan Road Securities Branch	8/F, South Tower, Bagui Building, 47 Middle Zhongshan Road, Guilin City, Guangxi Province	Li Jiaping
426	Liuzhou Youyi Road Securities Branch	Room 2-2, Youyiguoji, 11th Building, No. 4 Youyi Road, Liuzhou City	Zheng Feilong
427	Hezhou Jianshe Middle Road Securities Branch	Shop on 1/F, Block A, No. 31, Middle Jianshe Road, Babu District, Hezhou City, Guangxi	Chen Zibiao
428	Yulin Guangchang East Road Securities Branch	No. 139, Guangchang East Road, Yuzhou District, Yulin City, Guangxi	Yang Zhenghao
429	Haikou Guoxing Avenue Securities Branch	Room C408, C409, C410, C411, 4th Floor, East Building, Block B, Plot S5, Guorui City, No. 11 Guoxing Avenue, Meilan District, Haikou, Hainan Province	Chen Weihong
430	Sanya Yingbin Road Securities Branch	2/F, Shop 3, Zone 5, Shanshui Tianyu community, Yinbin Road, Jiyang District, Sanya, Hainan Province	Shen Yongzhi

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No.	Name	Securities Branch Address	Person In Charge
431	Chongqing Minzu Road Securities Branch	3/F, Block B, 108 Minzu Road, Yuzhong District, Chongqing City	Yan Huaqiao
432	Chongqing Jiangnan Avenue Securities Branch	Room 5-1, Chengshizhiguang Building, No.19 Jiangnan Avenue, Nanping Subdistrict, Nan'an District Chongqing City	Tang Hewen
433	Chongqing Mixc Securities Branch	No. 2-1, Block 26, No. 55 Xiejiawan Main Street, Jiulongpo District, Chongqing City	Liu Xiaoyong
434	Chongqing East Jianxin Road Securities Branch	2/F, Baiyexing Building, No. 3 East Jianxin Road, Jiangbei District, Chongqing City	Liu Yu
435	Chongqing Yinhua Road Securities Branch	1/F, Qinyanyuecheng 7th Building, No. 166 Yinhua Road, Longshan Subdistrict, Yubei District, Chongqing City	Ge Ning
436	Chongqing Jiangjin Securities Branch	Unit 3-1 Block 1, Xiangrui Building, No. 518 Dingshan Road, Dingshan Subdistrict, Jiangjin District, Chongqing City	Liu Yu
437	Chongqing Hanyu Road Securities Branch	No. 40, No. 18, Hanyu Road, Shapingba District, Chongqing	Xiong Feng
438	Chongqing Danzishi Securities Branch	Attached No.32, Attached No.33, Attached No.34, No.17, Qunhui Road, Nanan District, Chongqing	Li Guipeng
439	Chongqing Ruitian Road Securities Branch	No. 182-18, Ruitian Road, Yuzhong Road, Chongqing City	Huang Rui
440	Chongqing Banan District Securities Branch	Annex No. 4-6, No. 241 Yunan Avenue, Banan District, Chongqing City	Zhang Shuobin
441	Chongqing Wanzhou Securities Branch	No. 83 Gaosuntang, Wanzhou District, Chongqing City	Fu Xiangyang
442	Chongqing Fengtian Avenue Securities Branch	No. 122, 123, No. 136, Fengtian Avenue, Shapingba District, Chongqing	Zhang Lin
443	Chengdu Yizhou Avenue Securities Branch	No. 201, 2/F, Unit 1, Block 1, No. 555 Yizhou Avenue Middle Section, Hitech Zone, Chengdu City, China (Sichuan) Pilot Free Trade Zone	Li Shuxue
444	Chengdu North 2nd Huan Road Securities Branch	No.8, North Section 1, 2nd Huan Road, Chengdu City	Fan Jungang
445	Chengdu Chengfei Avenue Securities Branch	2/F, No. 123 Jingyi Road, Chengfei Avenue, Jingyi Road, Qingyang District, Chengdu City	Xu Cheng
446	Chengdu Jianshe Road Securities Branch	No. 9 Jianshe Road, Chenghua District, Chengdu City	Li Yun
447	Chengdu North Kehua Road Securities Branch	No.139, North Kehua Road, Chengdu City, Sichuan Province	Wang Hong

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No.	Name	Securities Branch Address	Person In Charge
448	Meishan Renshou Guangming Road Securities Branch	No. 389, Section 2 of Guangming Road, Wenlin Town, Renshou County	Liu Xiaobin
449	Leshan Renmin South Road Securities Branch	No. 210, No. 212 Renmin South Road, Shizhong District, Leshan City	Chen Jun
450	azhong Yuntai Street Securities Branch	Shop 1-6, 1-7, Shizhongxing Complex, Jiangbei Avenue, Bazhong City, Sichuan Province	Lin Hai
451	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
452	Neijiang Yuxi Road Securities Branch	No. 147, No. 149, No. 151, Yuxi Road, Shizhong District, Neijiang City, Sichuan Province	Lin Hong
453	Chengdu Shuangliu Yingchun Road Securities Branch	No. 66, Section 4 of Yingchun Road, Dongsheng Street, Shuangliu District, Chengdu City, Sichuan Province	Chen Qiang
454	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
455	Chengdu Wenjiang Wenhua Road Securities Branch	No. 22, 1/F, Block 15, No. 1 Wenhua Road, Liucheng, Wenjiang District, Chengdu	Wang Wei
456	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	Zheng Junxia
457	Chengdu Wuyang Avenue Securities Branch	1/F, No. 65 & 67 Wuyang Avenue Section 3, Wuhou District, Chengdu	Hu Ke
458	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	Shang Chao
459	Guiyang Beijing Road Securities Branch	No. 4, 1st Floor, Xindou Wealth Building, No. 27, Beijing Road, Yunyan District, Guiyang City, Guizhou Province	Cao Jianyuan
460	Zunyi Kunming Road Securities Branch	D2/F, Yinggang Tower, Xianggang Road, Huichuan District, Zunyi City, Guizhou Province	Wang Jiayong
461	Kunming West Dongfeng Road Securities Branch	9/F, Shunchengdongta Building, 11 West Dongfeng Road, Kunming City, Yunnan Province	Chen Dedong
462	Kunming Baita Road Securities Branch	Xingyao Building, 393, Baita Road, Kunming City, Yunnan Province	Wang Anyuan
463	Kunming Minhang Road Securities Branch	Unit 7-A, Tower A, Yunnan Chengtou Building, 400 Minhang Road, Guandu District, Kunming City	Qi Wei
464	Yiliang Huayuan Street Securities Branch	2/F, Block 6, Vision City Plaza, Huayuan Street, Yiliang County, Kunming City, Yunnan Province	Shen Yanbin

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No.	Name	Securities Branch Address	Person In Charge
465	Chuxiong Lucheng South Road Securities Branch	No. 154, Lucheng South Road, Chuxiong, Chuxiong Prefecture, Yunnan Province	Wei Heming
466	Mojiang Twins Avenue Securities Branch	Shop 4-e, 1/F, Unit 3, Jinyue Garden, Twins Avenue, Moon Plaza, Mojiang County, Pu'er City, Yunnan Province	Lu Rongyi
467	Qujing Jiaotong Road Securities Branch	No. 50, Traffic Road, Qilin District, Qujing City, Yunnan Province	He Jing
468	Xi'an East Youyi Road Securities Branch	No. 51, East Youyi Road, Xi'an City, Shaanxi Province	Huang Yaguang
469	Xi'an Heping Road Securities Branch	Jiateng Building, No. 112, Heping Road, Beilin District, Xi'an City, Shaanxi Province	Wang Juan
470	Baoji Gaoxin Avenue Securities Branch	No. 59, High New Development Zone Avenue, Baoji City, Shaanxi Province	Zhao Liang
471	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
472	Weinan Chaoyang Street Securities Branch	No. 2, Chaoyang Street, Linwei District, Weinan City, Shaanxi Province	Zhang Yong
473	Xi'an Jinye Road Securities Branch	Commercial B1-101, Jinye Times Project, No. 32 Jinye Road, High-tech Zone, Xi'an	Zhao Chuang
474	Lanzhou Donggangxi Road Securities Branch	3/F-2, Changye Gold Tower, No.621 Donggang West Road, Chengguan District, Lanzhou City, Gansu Province	Zhao Gong
475	Baiyin Hongxing Road Securities Branch	Room 5-01, Block 7, No. 280 Hongxing Road, Baiyin District, Baiyin City, Gansu Province	Li Yanpeng
476	Pingliang East Main Street Securities Branch	No. 24 East Main Street, Kongdong District, Pingliang City, Gansu Province	Hao Qiang
477	Jiuquan Xiuyuan Road Securities Branch	Block 4, North Zone, Xinxin Garden, No. 1 Xiuyuan Road, Suzhou District, Jiuquan City, Gansu Province	Wang Jian
478	Xining West Street Securities Branch	4/F, Xingwang Building, No. 30 West Street, Chengzhong District, Xining, Qinghai Province	Tang Haiying
479	Golmud South Kunlun Road Securities Branch	No. 20, South Kunlun Road, Dongcheng District, Golmud, Qinghai Province	Zhang Longlong
480	Xining Changjiang Road Securities Branch	No. 106-26 Changjiang Road, Xining City, Qinghai Province	Feng Qing
481	Xining Xiadu Avenue Securities Branch	No. 220 Xiadu Avenue, Chengdong District, Xining City	Wang Fang
482	Yinchuan Jiefang West Securities Branch	No. 126, West Jiefang Road, Xingqing District, Yinchuan City	Zhao Zhihao

APPENDIX INFORMATION ON SECURITIES BRANCHES

No.	Name	Securities Branch Address	Person In Charge
483	Shizuishan Chaoyang West Street Securities Branch	No. 1, Chaoyang West Street, Shizuishan, Ningxia	Chen Guang
484	Wuzhong Wuling West Road Securities Branch	No. 231 & 233 Wuling West Road, Litong District, Wuzhong City, Ningxia	Song Jie
485	Zhongwei Gulou East Street Securities Branch	No. 25, 2/F, Block C, National Entrepreneurship City, No. 280 Gulou East Street, Shapotou District, Zhongwei City	Fan Xiaoning
486	Urumqi Jiefang North Road Securities Branch	No. 90&112, North Jiefang Road, Tianshan District, Urumqi City, Xinjiang	Kong Lingguo
487	Changji Securities Branch	2/F, Changji Post Branch Office Building Attached Building, No.2 Yan'an North Road, Changji City, Xinjiang (Zone 1 Hill 2 Tower 1)	Jiang Yuliang
488	Hami Securities Branch	No. 1, 1st Floor, Jinglong Building, No. 35, Tianshan North Road, Yizhou District, Hami City, Xinjiang	Zhang Jun
489	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
490	Aksu South Avenue Securities Branch	7/F, No. 2 South Avenue, Aksu City, Aksu Prefecture, Xinjiang	Luo Yi
491	Lhasa Chaoyang Road Securities Branch	No. 2, Chaoyang Road, Taiyang Island, Lhasa City	Ma Zhenhui



For more information, please refer to :

