



# 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  
**2018**



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## DEFINITIONS

“A Share(s)”	domestic shares in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the SSE, subscribed and traded in Renminbi
“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
“bp”	unit of measurement for the change in interest rate of bonds and notes, one bp equals to 1% of a percentage point
“CG Code”	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Stock Exchange Listing Rules
“Company” or “We”	China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司), a joint stock limited company incorporated in the PRC on 26 January 2007, whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 06881), the A Shares of which are listed on the SSE (Stock Code: 601881)
“Company Law”	the Company Law of the People’s Republic of China
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Directors”	directors of the Company
“End of the Reporting Period”	31 December 2018
“ETF”	exchange-traded funds
“Futures IB Business”	the business activities in which securities firms, as commissioned by futures companies, introduce clients to futures companies to provide futures brokerage and other related services
“Galaxy Capital”	Galaxy Capital Management Company Limited (銀河創新資本管理有限公司), owned as to 100% by the Company and a wholly-owned subsidiary of the Company
“Galaxy Yuanhui”	Galaxy Yuanhui Investment Co., Ltd. (銀河源匯投資有限公司), owned as to 100% by the Company and a wholly-owned subsidiary of the Company
“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 and a non-wholly owned subsidiary of Galaxy Financial Holdings
“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 and a wholly-owned subsidiary of Galaxy Financial Holdings
“Galaxy Futures”	Galaxy Futures Company Limited (銀河期貨有限公司), owned as to approximately 83.32% by the Company and a non-wholly owned subsidiary of the Company

## DEFINITIONS

“Galaxy International Holdings”	China Galaxy International Financial Holdings Company Limited (中國銀河國際金融控股有限公司), owned as to 100% by the Company and a wholly-owned subsidiary of the Company
“Galaxy Jinhui”	Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金匯證券資產管理有限公司), owned as to 100% by the Company and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the Hong Kong Stock Exchange and are subscribed for and traded in HK dollars
“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
“Stock Exchange Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
“margin and securities refinancing”	a business in which securities firms can act as intermediaries to borrow funds or securities from the China Securities Finance Co., Ltd. and lend such funds and securities to their clients
“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
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Reporting Period”	the period from 1 January 2018 to 31 December 2018
“RQFII”	Renminbi Qualified Foreign Institutional Investor, a pilot program launched in the PRC which allows Hong Kong subsidiaries of PRC brokerage companies and fund houses to facilitate investments of offshore Renminbi into the PRC capital markets

## DEFINITIONS

“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
“Singapore dollars”	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 Shanghai 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

### 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 50th meeting of the 3rd session of the Board of Directors, with 9 Directors attended and voted at the meeting. Due to some reason, Guo Weiguo, the Director, gave written authorization to Chen Gongyan, another Director, to act as his proxy to attend and vote at the meeting. No objection was put forward by Directors and Supervisors for this report.

The financial report for 2018 was prepared by the Company according to International Financial Reporting Standards (“IFRS”) and PRC Corporate Accounting Standards (“PRC GAAP”), which has been audited by Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP and they have issued an standard auditors’ report with unqualified opinions. Unless otherwise stated, the amounts in this report are presented in RMB.

Mr. Chen Gongyan, person in charge of the Company, Ms. Zhu Ruimin, person in charge of the accounting affairs, and Mr. Fan Minfei, person in charge of the accounting department (head of accounting) hereby confirm that the financial report as disclosed in this report are true, accurate and complete.

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

The risks that the Company faces mainly include: legal and compliance risks as a result of our business management and norms failing to follow up in a timely manner to meet the adjustment in laws and regulations as well as the rules of regulatory bodies; strategic risks arising from the formulation of strategy plan under profound changes in domestic and overseas capital markets; risks of internal operations and management arising from changes of business model 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 fulfill 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

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

Net Capital: RMB61,919,056,297.82

### 4. Qualification of individual business

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

## SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

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



## SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

- (45) Qualification for pilot securities-based repurchase transactions business (approved by the SSE)
- (46) Qualification for pilot consumption payment service for clients with securities funds
- (47) Qualification of concurrent-business insurance agency
- (48) Qualification for pilot Internet securities business
- (49) Qualification for participation in simulated options trading by proprietary trading business (approved by SSE)
- (50) Qualification for pilot OTC income certificates business
- (51) Qualification for securities investment fund custodian
- (52) Qualification for market making business for nationwide shares transfer system
- (53) Authorized for Hong Kong Stock Connect business transactions
- (54) Qualification for gold spot contract agency business
- (55) Membership of Shanghai Gold Exchange
- (56) Qualified of participant of quotation and service system for inter-institutional private equity products
- (57) Qualified of stock options trading participant of the SSE
- (58) Qualification for options clearing business
- (59) Innovative scheme for account opening through WeChat
- (60) Qualification for engagement of debt financing instruments quotation business for non-financial corporations
- (61) Membership of Asset Management Association of China
- (62) Membership of China Futures Association
- (63) Membership of Insurance Asset Management Association of China
- (64) Filing qualification as outsourced services provider for private investment funds
- (65) Authorized for Hong Kong Stock Connect business transactions under the Shenzhen-Hong Kong Stock Connect
- (66) Qualification for sales of precious metal products
- (67) Qualification for commodity swap dealers
- (68) SSE 10-Year Local Government Bond Transactional Open-ended Index Securities Investment Fund Liquidity Service Provider
- (69) Qualification for crude oil futures business
- (70) Qualification for pilot cross-border business
- (71) Qualification for non-equity return swaps business

## SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

### 5. Headquarters in the PRC

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

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

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

### 7. Secretary to the Board

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

### 8. Joint Company Secretaries

Wu Chengming, Lee Kwok Fai Kenneth

### 9. Authorized Representatives

Liu Dingping, Lee Kwok Fai Kenneth

### 10. Listing of H Shares: HKEX

Stock Code: 6881      Stock Name: CGS

### 11. Listing of A Shares: SSE

Stock Code: 601881      Stock Name: CGS

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

Name of media designated for information disclosure 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: Tower C, Corporate Square, 35 Finance Street, Xicheng District, Beijing

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

<http://www.hkexnews.hk>

## SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

### II. HISTORY

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

According to the restructuring proposal approved by the State Council and relevant approvals from CSRC, China Galaxy Securities Co., Ltd. acquired the securities brokerage business, investment banking business and related assets from China Galaxy Securities Company Limited. The Company was duly established with registered capital of 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. 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.

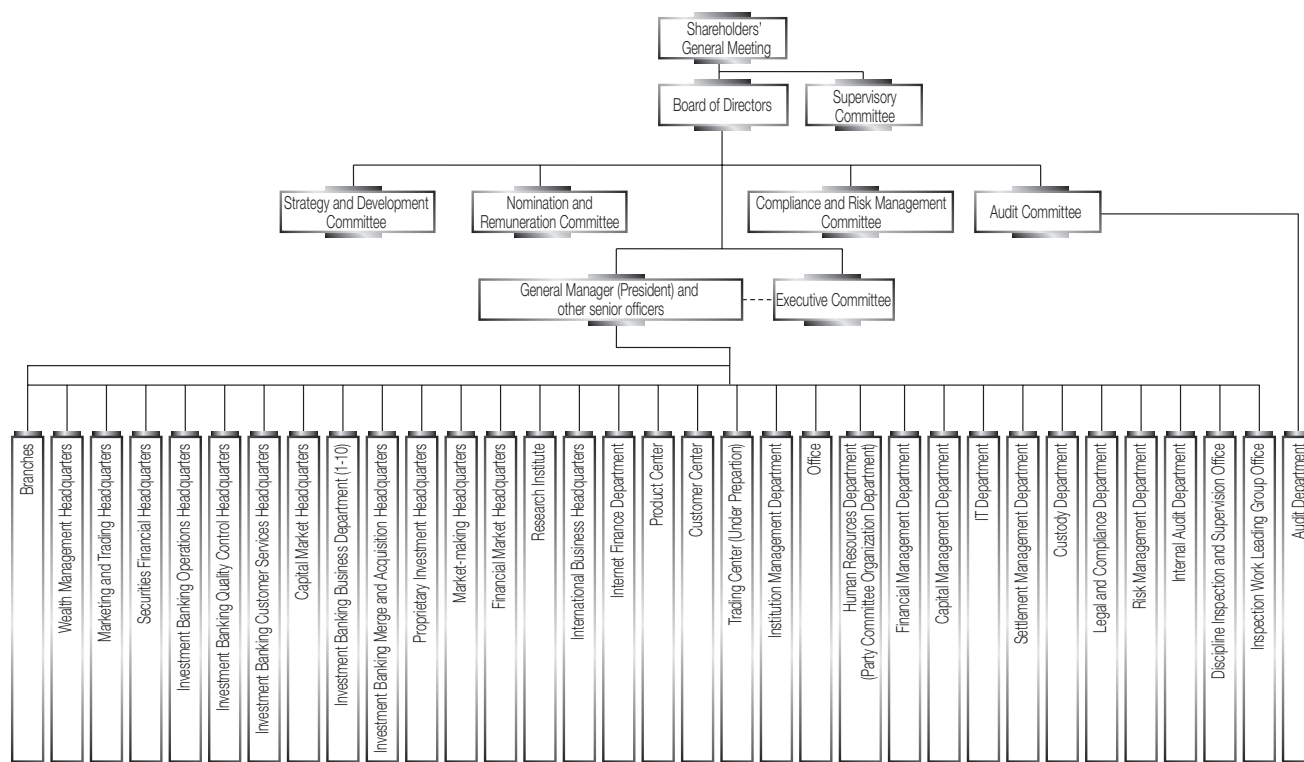
On 5 May 2015, the Company placed an aggregate of 2,000,000,000 H Shares and the total issued share capital of the Company was increased to RMB9,537 million.

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. NUMBERS AND DISTRIBUTION OF SECURITIES BRANCHES

The Company has 493 securities branches located across 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 Shanxi Province, 21 in Fujian 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 Henan Province, 12 in Hunan Province, 9 in Hebei Province, 8 in Yunan Province, 8 in Jiangxi Province, 8 in Heilongjiang Province, 6 in Shaanxi Province, 5 in Guangxi Zhuang Autonomous Region, 5 in Xinjiang Uygur Autonomous Region, 5 in Inner Mongolia Autonomous Region, 4 in Gansu Province, 4 in Tianjin, 4 in Qinghai Province, 4 in Ningxia Hui Autonomous Region, 3 in Jilin Province, 3 in Guizhou Province, 2 in Hainan Province and 1 in Tibet Autonomous Region.

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

## SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

### V. SUBSIDIARIES AND BRANCHES

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

Name	Registered Address	Date of incorporation	Registered Capital	Legal Representative/ person in charge	Percentage of shareholding	Telephone
Galaxy Futures	Unit 1101, 11/F, Block 1, No. 16 Chaowai Street, Chaoyang District, Beijing	25 December 2006	RMB1.2 billion	Yang Qing	83.32%	010-68569588
Galaxy Capital	2/F, Tower C, 1st Building, No. 35 Finance Avenue, Xicheng District, Beijing	21 October 2009	RMB1.0 billion	You Chun	100%	010-66067785
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	100%	010-83571302
Galaxy Yuanhui	Room 3104, 31/F, 99 Fucheng Road, China (Shanghai) Pilot Free Trade Zone	10 December 2015	RMB1.5 billion	Wu Lihong	100%	021-60751758

Notes: 1. On 21 November 2018, the Company and RBS Asia Futures Limited entered into the Equity Transfer Agreement, pursuant to which RBS Asia Futures Limited agreed to sell and the Company agreed to acquire 16.68% equity interest in Galaxy Futures. Upon completion of the equity transfer, Galaxy Futures will become a wholly-owned subsidiary of the Company. As at the date of this report, such transfer of equity is in the process of approval by the regulatory authority and is yet completed.

2. On 19 January 2018, the legal representative of Galaxy Yuanhui changed to Ms. Wu Lihong from Ms. Chen Jing.

(ii) As at the End of the Reporting Period, the Company had 36 branches, details of which are set out in Appendix II.

## SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

### VI. OTHER RELATED INFORMATION

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

## SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

### VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

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

Profit (RMB'000)

Item	2018	2017	2018 (compared with 2017) increase/ decrease	2016	2015	2014
Revenue and other income	16,234,970	15,985,837	1.56%	18,403,114	33,759,274	13,016,560
Total expenses	12,550,299	11,177,182	12.29%	11,826,483	20,625,303	8,013,606
Profit before income tax	3,682,094	4,808,655	-23.43%	6,576,631	13,133,971	5,003,299
Profit for the year-attributable to owners of the Company	2,887,127	3,980,730	-27.47%	5,153,546	9,835,510	3,770,728

Assets (RMB'000)

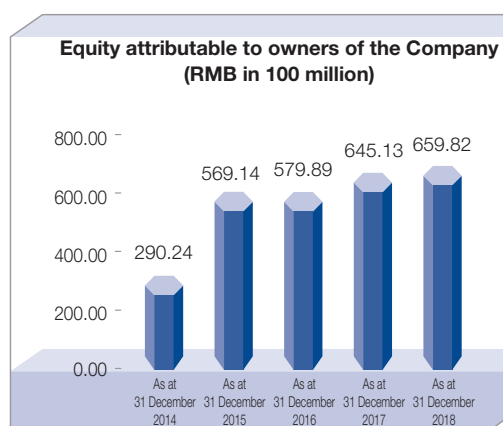
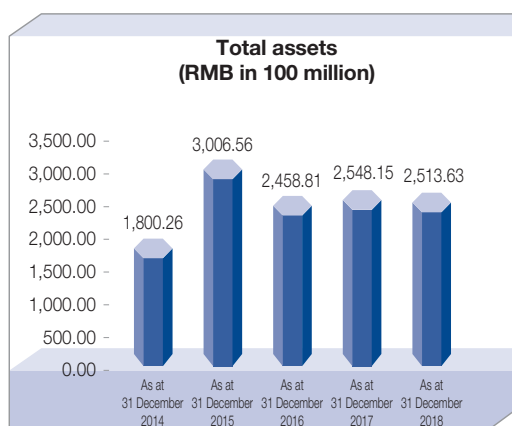
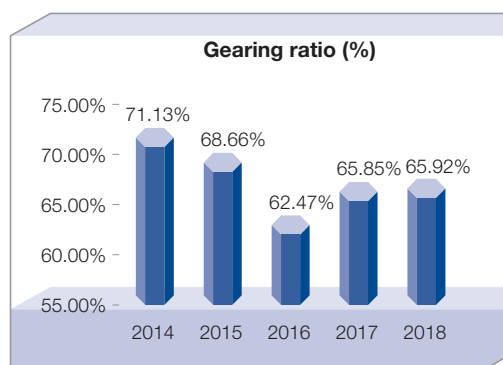
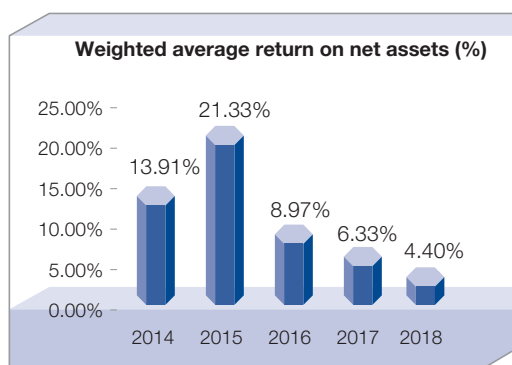
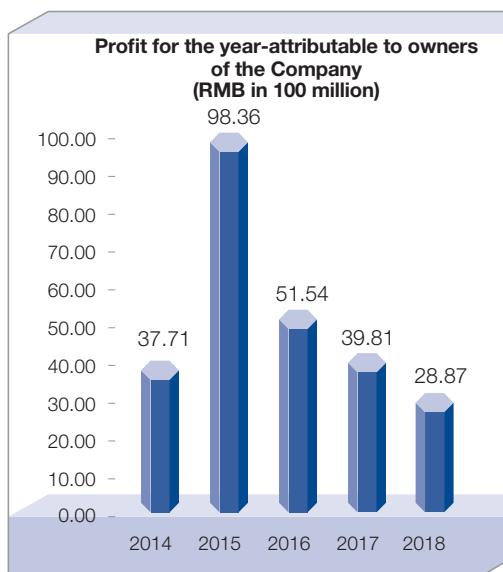
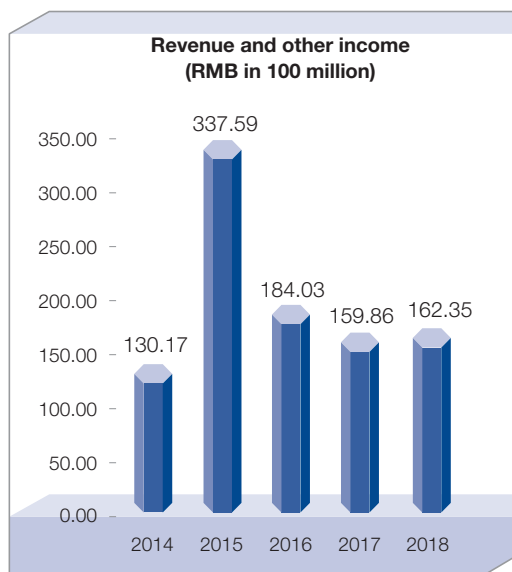
Item	2018/12/31	2017/12/31	2018/12/31 (compared with 2017/12/31) increase/ decrease	2016/12/31	2015/12/31	2014/12/31
Total assets	251,363,291	254,814,966	-1.35%	245,880,520	300,655,551	180,025,707
Total liabilities	185,025,430	189,928,533	-2.58%	187,526,621	243,406,135	150,689,787
Accounts payable to brokerage clients	56,695,274	64,787,132	-12.49%	90,404,209	117,992,209	78,407,509
Equity attributable to owners of the Company	65,982,088	64,513,027	2.28%	57,988,546	56,913,566	29,023,797
Total share capital	10,137,259	10,137,259	0.00%	9,537,259	9,537,259	7,537,259

Key Financial Indicators

Item	2018	2017	2016	2015	2014
Basic earnings per share	0.28	0.39	0.54	1.11	0.50
Diluted earnings per share	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Weighted average return on net assets	4.40%	6.33%	8.97%	21.33%	13.91%
Gearing ratio (%) <sup>1</sup>	65.92%	65.85%	62.47%	68.66%	71.13%
Net assets attributable to owners of the Company (RMB/share)	6.51	6.36	6.08	5.97	3.85

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

## SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION





## SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

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

There is no difference between the net profits for 2018 and 2017 as well as the net assets as of 31 December 2018 and 31 December 2017 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 and liquidity, have complied with relevant regulatory requirements. As at the End of the Reporting Period, the major risk control indicators of the Company are as follows:

Unit: RMB

Item	As at the end of the Reporting Period	As at the end of last year
Net Capital	61,919,056,297.82	50,746,807,591.89
Net Assets	64,435,083,387.46	63,195,254,061.45
Net Capital/sum of risk provisions (%)	320.39%	242.39%
Net Capital/Net Assets (%)	96.10%	80.30%
Net Capital/Liabilities (%)	52.22%	43.74%
Net Assets/Liabilities (%)	54.34%	54.46%
Proprietary Equity Securities and Derivatives/Net Capital (%)	20.89%	32.94%
Proprietary fixed-income Securities and Derivatives/Net Capital (%)	110.94%	96.53%
Capital Leverage (%)	29.31%	29.38%
Liquidity Coverage (%)	312.02%	171.61%
Net Stable Funding Ratio (%)	144.27%	124.93%

*Capital leverage = core net assets/total assets included and excluded in the statements\* 100%*

## SECTION III COMPANY BUSINESS OVERVIEW

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

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

The Group is 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".

One of the "Dual Wheels" is "wealth management", which means the gradual integration and development of the client-oriented investment and wealth management business, including brokerage, asset management and investment advisory business, to provide clients with comprehensive wealth management services. The other wheel is "investment and financing", which represents to support the real economy and serve enterprises in investment and financing demand through the coordination between investment banking business and investment business. "Dual Wheels" aims to meet the diversified financing demand of the public and the real economy and to make financial innovation to cater for the needs of consumers and investors. With the operation of "Dual-wheel Drive" simultaneously, the Company strengthened coordination by establishing the comprehensive coordination mechanism within and between its various lines of business, between front desk and middle and back office, between branches and lines of business, between parent company and subsidiaries, and between domestic business and overseas business, so as to promote the synchronous development of all businesses.

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

#### 1. Economic environment

In 2018, the world economy generally continued its expansion trend in 2017, but the economic environment became more complex, characterized by slowdown in the growth of international trade, the sluggish international direct investment activity, the continuously rising global debt levels and the turmoil in financial markets. With the advent of the US economic cycle and the monetary policy cycle, as well as the divergence between Chinese economic situation and the monetary policy, the Sino-US trade friction has gradually evolved and escalated. On the whole, China's economy showed a steady growth with a slowdown in pace. The weakened domestic economic demand, the continuous implementation of real estate control policies and the liquidation and clearing up of hidden debts in local finance led to the suppression of real estate and infrastructure industries which boosted China's domestic demand in the past. In addition, the strict regulation of the financial market and the implementation of de-leveraging policy brought about tightening monetary credits, which posed a certain challenges on the balance sheet of companies and boosted companies' pressure on the liquidity. Furthermore, there was a growing contradiction between residents' growing consumption demand and the disposable income with relatively slow growth, and the fast rising debt levels of residents.

#### 2. Market environment

During the Reporting Period, as affected by the Sino-US trade friction and uncertainties arising from de-leveraging policy of the country, China's stock market experienced fluctuation with a downward trend, SHCI, SZCI, SSE SME Composite Index and ChiNext Price Index recorded decreases of 24.59%, 34.42%, 37.75% and 28.65%, respectively. The total trading turnover of A shares in Shanghai and Shenzhen stock markets was RMB89.70 trillion during the Reporting Period, representing a decrease of 19.76% year-on-year. As at the End of the Reporting Period, the balance of margin financing and securities lending was RMB755.704 billion, representing a decrease of 26.36% year-on-year. Listed companies actually raised RMB1.21 trillion through IPO, additional offering and placing during the Reporting Period, representing a decrease of 29.98% year-on-year.

## SECTION III COMPANY BUSINESS OVERVIEW

### 3. Industry situation

In 2018, the stringent supervision over the securities industry for 2017 continued, and risk prevention, de-leveraging and cutting the channel business were main keynotes of financial regulation. Affected by the stringent supervision environment and market volatility, the performance of the securities industry declined significantly in 2018. Securities companies faced challenges in various businesses to a certain extent, and the transformation and upgrading were imminent. In terms of business, both the volume and price of brokerage business fell with the profit margin narrowed. As at the End of the Reporting Period, the commission rate of the securities industry was approximately 0.35%. In 2018, the daily average trading turnover of shares and funds transactions in Shanghai and Shenzhen markets was RMB0.37 trillion, representing a decrease of 19.79% as compared with 2017. Due to the tighter IPO approval procedures, the scale of equity financing in investment banking business declined. In 2018, the amount of equity financing was RMB1.21 trillion, representing a decrease of 29.98% year-on-year. The implementation of new regulations on asset management, de-leveraging, reducing channel business and eliminating multi-level investment, the scale of asset management of the industry was suppressed, which drove securities companies to actively improve their management ability. As at the End of the Reporting Period, the scale of asset management of the securities industry was RMB14.11 trillion, representing a decrease of 18.27% as compared with the end of 2017. In terms of credit business, there was limited growth space for margin financing and securities lending, resulting in the increase of risk of stocks pledge. Under the dual pressure of the downward market trend and the implementation of International Financial Reporting Standard 9 (IFRS 9), the impairment risk of and provision for pledged assets over stocks were enhanced. As the results of proprietary investment business correlated with the market trend, the implementation of International Financial Reporting Standard 9 (IFRS 9) heightened the fluctuation of the results. According to the data in the unaudited financial statements of securities company's parent company published by the Securities Association of China ("SAC"), as at the End of the Reporting Period, total assets, net assets and net capital of the PRC securities industry amounted to RMB6.26 trillion, RMB1.89 trillion and RMB1.57 trillion, respectively; and the operating income amounted to RMB266.287 billion and net profits of RMB66.620 billion, representing a year-on-year decrease of 14.47% and 41.04%, respectively.

#### (IV) The 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 data in the unaudited financial statements of securities company's parent company published by the SAC, in 2018, the Company ranked tenth in the industry in terms of operating income and net profit, and ranked eighth, seventh, and fourth in the industry in terms of total assets, net assets and net capital, respectively.

## SECTION III COMPANY BUSINESS OVERVIEW

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

As at the End of the Reporting Period, total assets of the Group amounted to RMB251.363 billion, representing a decrease of 1.35% as compared to the end of last year. Items that have relatively significant changes include: monetary fund amounted to RMB51.414 billion, representing a decrease of 13.94% as compared with the end of last year, which was mainly due to a decrease in the capitals of customers; clearing settlement funds amounted to RMB12.687 billion, representing an increase of 1.18% as compared with the end of last year; advances to customers amounted to RMB44.632 billion, representing a decrease of 25.69% as compared with the end of last year, which was mainly due to the reduction of the business scale of advances to customers; financial assets purchased under resale agreements amounted to RMB39.967 billion, representing an increase of 4.47% as compared with the end of last year, which was mainly due to an increase in the scale of dealer-quoted securities repurchase; receivables amounted to RMB643 million, representing a decrease of 35.87% as compared with the end of last year, which was mainly due to a decrease in settlement receivables of Galaxy International Holdings from exchanges; deferred income tax assets amounted to RMB477 million, representing an increase of 184.12% as compared with the end of last year, which was mainly due to an expected increase in the employee's remuneration provided but not paid before the settlement and payment of the enterprise income tax; other assets amounted to RMB1.973 billion, representing an increase of 86.00% as compared with the end of last year, which was mainly due to an increase in payment for land acquisition. According to the requirements of International Financial Reporting Standard 9 (IFRS 9), the Company adopted new standards for financial instruments since 1 January 2018, and the items listed on the statements related to financial instruments had major changes. For details of the changes and their effects, please refer to "Section XI Consolidated Financial Statements – Note 2. Application of New and Amendments to International Financial Reporting Standards".

In particular, overseas assets amounted to RMB8,769,331,397.20, representing 3.49% of the total assets.

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

#### (I) Leading position in traditional brokerage business

The Company has a long-established brand influence in traditional brokerage business with a leading position in revenue. During the Reporting Period and according to the unaudited data of the SAC, the net income of the Company from the securities brokerage business ranked second in the industry in terms of individual securities companies with a market share of 5.12%, and the net income of the Company from the sale of financial products as an agency ranked second in the industry in terms of individual securities companies with a market share of 14.31%. The huge client base and client assets of the Company provide significant growth potential for its businesses, and become a powerful driver for the development and innovation of its businesses such as margin financing and securities lending, capital-based intermediary bulk trades, institutional sales and cash management.

#### (II) Sound brand reputation

In 2018, the Company was rated as level an AA, Class A in the classification and appraisal of securities companies. The Company has been rated as Class A for 8 consecutive years and has relatively high recognition and reputation in the Chinese capital market.

#### (III) Large and stable client base

As at the End of the Reporting Period, the Company had 10.38 million brokerage clients and served over 1,300 corporate clients in the investment banking business. The Company ranked second in the industry in terms of aggregate market value of securities in its client accounts, which amounted to RMB2.41 trillion and represented a market share of 7.40%. The Company ranked fifth in terms of the custodian client transaction settlement funds, which amounted to RMB42.988 billion and represented a market share of 4.58%. Benefitted from its large client base, the Company has significant potential for cross-selling among its business lines.

## SECTION III COMPANY BUSINESS OVERVIEW

### **(IV) Strong channel network of reasonable strategic layout**

As at the End of the Reporting Period, the Company has 5 subsidiaries, 36 branches and 493 securities brokerage branches in central cities in 31 provinces, autonomous regions and municipalities directly and the Central Government across China. It is the securities company with the largest number of branches in China, laying an important foundation for its strong sales capability. The Company is accelerating the transformation of traditional securities brokerage branches to wealth management centers to secure high-end clients for the Company in developed regions, and benefit from the rapid economic growth and urbanization process in developing regions so as to grasp overseas business opportunities.

### **(V) 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.

### **(VI) High-quality and professional staff team**

Most of the staff of the Company come from large state-owned financial institutions and state organs, and have been working in the Company since its establishment. Most of them have high loyalty to the Company and high quality in work, and a number of experts in various fields have emerged, who are valuable wealth of the Company.

# SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

## I. MANAGEMENT DISCUSSION AND ANALYSIS

### (I) Overall operation

2018 was the second year for the Company's three-year strategic transformation. Leveraging on the new business model of "Dual-wheel Drive and Coordinated Development" as well as the new management mechanism and new internal mechanism of "centralized organization + line supervision + hierarchical management", the Company built the integrated business system of "wealth management, investment and financing, international business" to improve its competitiveness, actively fulfil its corporate social responsibilities, achieve its performance targets for the year with remarkable results and endeavor to minimise various risks. The Company was rated as level AA, Class A in the classification and appraisal of securities companies. As at the End of the Reporting Period, the Group's total assets amounted to RMB251.363 billion and equity attributable to owners of the Company amounted to RMB65.982 billion. During the Reporting Period, the Group achieved revenue and other income of RMB16.235 billion, representing a year-on-year increase of 1.56%; net profit attributable to owners of the Company amounted to RMB2.887 billion, representing a year-on-year decrease of 27.47%; and weighted average return on net assets was 4.40%, representing a year-on-year decrease of 1.93 percentage points.

### (II) Analysis of Major Business

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

##### (1) Securities brokerage

During the Reporting Period, the Group's securities brokerage business recorded revenue and other income of RMB10.736 billion, representing a year-on-year decrease of 3.91%, which was mainly due to a decrease in trading volume of shares and funds in the A share market and the decline in commission rate.

##### Market environment

Under the circumstances of unilateral slump of stock index, continuous decline of commission rate and inactive trading, the revenue-generating ability of traditional brokerage business was strongly challenged in 2018. For the year, the total trading volume of shares and funds amounted to RMB90.34 trillion, and the average daily trading volume of shares and funds amounted to RMB0.37 trillion, representing a decrease of 19.79% as compared with 2017. With the implementation of new regulations on shareholding reduction, asset management and stocks pledge, deleveraging has become the major trend of the market. Coupled with the impact of a significant slump of the market and the sharp increase in the number of clients in face of margin calls and liquidation of position, the number of insolvent clients, the amount of debts to be recovered and impairment provisions of securities companies were higher than that of 2017.

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Operation initiatives and results

For brokerage business, amid the difficult market environment in 2018, the Company strengthened customer data analysis, accurately planned marketing activities, built strong channel network, and enhanced marketing team management to effectively improve product coverage for clients, return on assets and other business indicators. During the Reporting Period, the Company obtained 723,000 new customers and RMB135.36 billion new assets. The Company actively adapted to the transformation of industry investment structure, and vigorously promoted professional strategy trading business including the APAMA quantitative trading platform, Prime Broker (PB) system and “Golden Bulk” business. During the Reporting Period, the Company’s professional strategy trading volume increased by RMB1.34 trillion, of which the proportion of institutional customer transactions increased by 3.84 percentage points. The customer trading structure was significantly optimized. The Company carried out a series of product marketing activities, established a fund-specific product evaluation and sales system, and promoted the business development of regular fixed investment in public funds. During the Reporting Period, the Company’s stock options, Hong Kong Stock Connect and other businesses experienced steady and orderly development, with 29,000 new Hong Kong Stock Connect accounts, representing a year-on-year increase of 82%. As at the End of the Reporting Period, the Company had a total of 24,100 existing customers for stock options brokerage business, representing a year-on-year increase of 8.07%.

For margin financing and securities lending business, as at the End of the Reporting Period, the Company’s balance of margin financing and securities lending was RMB40.243 billion, which had a market share of 5.33%. On one hand, the Company carried out risk management in the whole process, timely checked risks from existing customers, strengthened the management of large credit and consolidated the basic risk control capability. On the other hand, the Company further enriched the supply of securities to serve professional securities lending customers.

For dealer-quoted securities repurchase business, the Company revised its internal system in accordance with the “Measures for Stock Pledged Repo Transactions and the Registration and Settlement Business (Revised in 2018)” of the Shanghai Stock Exchange and the Shenzhen Stock Exchange and the “Guidelines for the Risk Management of Securities Companies’ Participation in Stock Pledged Repo Transactions” of the Securities Association of China, including adjusting the examination and approval authority, introducing the compulsory notarization mechanism, and improving the front-end control of the trading system. At the same time, it carried out in-depth investigation of business risks through direct investigation, extended investigation, key investigation, and stress testing, actively consulted with customers, and made comprehensive use of various risk control measures to reduce risks of the projects. The Company proactively sought business transformation, highlighted business synergy requirements, and promoted the balance of the overall risk and benefit of the Company. As at the End of the Reporting Period, the Company’s balance of proprietary dealer-quoted securities repurchase was RMB37.373 billion, representing a year-on-year increase of 3.07%.

For research business and institutional sales and trading business, in 2018, the Company strengthened its delicacy service for institutional customers. On one hand, it maintained communication with customers by increasing the number of reports and services. On the other hand, it designed and launched a series of research products, such as stock portfolios monthly recommendation, highly recommended portfolios, special report series, expert database and other multi-level and multi-dimensional research service products to meet customer needs. The Company has provided services for 9,000 customers throughout the year.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Challenges and prospects for 2019

For brokerage business, it is expected that the regulatory environment of 2018 will continue in 2019, and the capital market will become more volatile, which will bring greater competitive pressure to the traditional brokerage business. The Company will increase the supply of investment and financing products, continue to improve the transaction structure and customer structure, to meet the diversified financial needs of investors and deepen the transformation of wealth management business model. As affected by economic environment and market conditions, risks and opportunities coexist in credit business. There will be considerable room for an increase in the scale of margin financing and securities lending business, and the scale of stock pledge business will remain at a higher level. The Company will increase human resources investment, continuously improve customer structure, and strictly control risks to promote the transformation and upgrading of customer service. For research business and institutional sales and trading business, the Company will further improve the classification management of existing customers, and gradually expand banking and wealth management subsidiaries, private investment funds, listed companies, overseas institutions and other customers while doing a good job in the financial services of funds and insurance companies.

### (2) Futures brokerage

#### Market environment

In 2018, with the accelerated listing of new varieties in domestic futures market, the normalization of stock index futures trading steadily advanced. With the diversified and individualized demand of business enterprises, the risk management subsidiaries of futures companies have gradually formed their own business features and advantages.

#### Operation initiatives and results

Galaxy Futures focused on the in-depth development and service of enterprises with top ranking in terms of size of industry chain of major futures varieties, and provided strategic customers with a comprehensive financial service scheme featured by cross markets, multiple varieties and full life cycle. Galaxy Futures took the opportunity of internationalization of futures variety and entering of social security fund into the market to formulate a series of business support policies to promote the development of new varieties and market layout. With the diversification of options, Galaxy Futures continued to make strategic arrangement for the options business. As at the End of the Reporting Period, Galaxy Futures ranked the fourth, second, second and second place among the national option operators (including securities firms), in terms of the cumulative trading volume of stock options, soybean options, white sugar options and copper options, a newly listed variety, respectively. During the Reporting Period, Galaxy Futures realized revenue and other income of RMB1.552 billion, representing an increase of 82.61% as compared with 2017. Daily average interest of customers amounted to RMB16.594 billion, one-side trading volume amounted to 72 million board lots and turnover amounted to RMB4.38 trillion. Galaxy Futures was rated as level AA, Class A in the classification and appraisal of futures companies by the CSRC. As at the End of the Reporting Period, Galaxy Futures had 39 asset management products with the assets under management of RMB1.401 billion.

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Challenges and prospects for 2019

In 2019, the futures industry will remain under strict supervision, and homogeneous competition will still be the realistic situation for futures companies. Domestic economy is facing multiple challenges such as trade frictions and real estate downturn, which will suppress the overall commodity price trend at the demand side. With the advancement of normalization of stock index futures, further expanded varieties of commodity options and accelerated process of internationalization of futures market, some futures operators are actively exploring new models for business transformation. Galaxy Futures will make every effort to promote the development and publicity of crude oil options, stock index futures and other strategic business varieties; continue to develop and serve customers of leading industry and financial institutions; strengthen the development of OTC business, vigorously develop futures and spot trading business, and help futures companies to transform their brokerage business.

### (3) Asset management

During the Reporting Period, revenue and other income from the asset management business of the Group amounted to RMB885 million, representing an increase of 16.15% as compared with 2017.

#### Market environment

In 2018, regulatory policies were introduced intensively to prevent the continual influence of financial risks, channel business gradually withdrew under the new regulations and rules on asset management, and the size of assets under management by securities firms decreased significantly, but the business structure was constantly optimized. As at the End of the Reporting Period, the assets under management in the securities industry amounted to RMB14.11 trillion, representing a year-on-year decrease of 18.27%. Net income from the asset management business amounted to RMB27.5 billion, representing a year-on-year decrease of 11.35%.

#### Operation initiatives and results

On the premise of strengthening compliance management and risk prevention, the Company vigorously strengthened the business development centered on the ability of active management. The proportion of active management business income continued to rise, and the transformation of return to the nature of asset management was obvious. The Company continued to consolidate and develop the investment management of existing fixed income products and other advantageous products, accelerated the creation of “fixed income + strategy” net value products, strengthened the construction of investment and research system and team building, and enhanced the investment management capability of asset allocation of the whole category. At the same time, the Company effectively analysed and improved the synergy mechanism, and expanded the types of investment in overseas market to meet the multi-level overseas wealth management and investment needs of customers, and the comprehensive wealth management ability was further improved. During the Reporting Period, net income from the custodian client asset management business of Galaxy Jinhui amounted to RMB752 million, representing a year-on-year increase of 9.1% and ranking the 11th place in the industry. As at the End of the Reporting Period, the assets under management of the Company amounted to RMB256.253 billion, representing a decrease of 33.69% as compared with the end of 2017 and ranking the 14th place in the industry. Among them, the size of collective asset management business amounted to RMB48.933 billion, the size of targeted asset management business amounted to RMB199.860 billion, and the size of special asset management business amounted to RMB7.46 billion. At the end of the year, the Company had 329 management products (105 collective products, 216 targeted products and 8 special products).

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Challenges and prospects for 2019

With the promulgation and implementation of new regulations on asset management, the channel business has been gradually cleaned up and standardized, and the overall scale of securities firms in the asset management industry will continue to decline, but the medium- and long-term development trend of the industry will be good. In this context, improving the level of active management and building a differentiated competitive advantage will be the inevitable choice for the Company's long-term development. In 2019, the Company will continuously strengthen the construction of investment and research system of asset management business to create the professional advantage of investment and research integration, and will actively implement the Company's new business development strategy and comprehensively enhance business synergy to promote business transformation and development centred on customers.

### 2. Investment banking business

During the Reporting Period, the Group's investment banking business recorded revenue and other income of RMB498 million, representing a year-on-year decrease of 4.47%. In 2018, the Group established a new organizational structure, established a new business expansion model, strengthened a new operational coordination mechanism, formulated a new system of rules and regulations, and created a new business service model, which laid a solid foundation for the comprehensive reform and transformation of investment banking business and promoted the continuous and healthy development of investment banking business.

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

##### Market environment

In 2018, under the background of strict supervision, the size of equity financing in the PRC capital market significantly shrank. According to the data of WIND Information, in 2018, the proceeds from IPOs on the SSE and the SZSE amounted to RMB137.8 billion, representing a year-on-year decrease of 40.11%; and the size of equity re-financing was RMB1,017.3 billion, representing a year-on-year decrease of 25.59%.

##### Operation initiatives and results

The Company closely followed key national strategies to improve services provided to real economy, leveraged on its advantages in channels and network to achieve the coordinated and integrated development of regional markets and develop key customers, and vigorously developed service business of investment banks "centered on enterprises", built "six service chains" such as investment banking business service chain, all-customer service chain, investment and financing synergy service chain of small- and medium-sized enterprises, regional comprehensive service chain, supply-side structural reform service chain, and the service chain supporting national major scientific and technological innovation and industrial development. During the Reporting Period, the Company completed two IPO projects with a total underwriting amount of RMB1.858 billion, one convertible bonds project with a total underwriting amount of RMB0.32 billion and one project for merger and acquisition, restructuring and supporting funds. During the Reporting Period, the amount of securities underwritten by the Company as a lead underwriter was RMB6.470 billion. In addition, the Company made progress in areas including large- and middle-size project reserves, early project cultivation, innovative enterprise services and integrated financial advisory services.

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Challenges and prospects for 2019

The traditional investment banking business characterized by high charges has entered the era of “fierce competition and low charges”, and the income structure of investment banking business has diversified. The Company will give full play to its resource advantages, continue to promote the integrated strategy of regional coordinated development, and thoroughly implement the strategy of investment and financing integration, customer service integration, as well as the integration of domestic and overseas investment and financing business, so as to provide customers with multi-market, full cycle, multi-level, and one-stop comprehensive financial services.

### (2) Bond financing

#### Market environment

In 2018, under the background of the downward pressure on the real economy, the macro-control policy of “stabilizing growth” has gradually become the top priority, and the market situation of interest rate bonds and high-grade credit bonds has improved. In 2018, ten-year treasury bond rate decreased by 67.43 bp, and five-year AAA corporate bond rate decreased by 138.1bp. At the same time, as credit defaults of bonds frequently occurred, investors’ risk aversion continued to rise, and the bond market was clearly divided, the market situation of medium and low rating bonds did not improve significantly.

#### Operation initiatives and results

The Company accurately grasped the issuance window period and actively expanded the scale of bond underwriting business. The Company established and improved the mechanism of comprehensive operation and collaborative service, actively participated in the construction of bond market infrastructure and innovative business, and made new attempts in promoting the healthy and orderly development of green industry, serving green enterprises and building a green financial system. During the Reporting Period, the Company underwrote a total of 337 bonds, representing a year-on-year increase of 243.88%, and its total underwriting amount was RMB91.176 billion, representing a year-on-year increase of 27.55%.

### Challenges and prospects for 2019

In 2019, the trend of tightening liquidity will continue in the bond market. At the same time, as the bond regulatory authorities continue to promote the bond project underwriting inspection and post-supervision, it is expected that the size of the primary market for bond issuance will remain stable in 2019. The Company will concentrate resources to expand the bond issuance of high-quality customers; closely follow the latest policies of regulatory authorities, actively participate in local government bonds and innovative business; strengthen cooperation with banks and other financial institutions, expand financial debts and asset securitization business, and strive to continuously gain a leading position in the field of bond sub-sectors; continue to strengthen the construction of customer service system and enhance the overall level of customer service; establish different levels of sales system by taking advantage of the huge business network system to further enhance sales strength.

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### (3) New OTC Board

#### Market environment

As at the End of the Reporting Period, the number of listed companies on the New OTC Board was 10,691, representing a decrease of 8.07% as compared with the end of 2017, and the amount raised from the issuance of shares on the New OTC Board was RMB60.443 billion, representing a year-on-year decrease of 54.77%. Trading, investment and financing on the New OTC Board was thin. NEEQ Component Index dropped by 25.13%, and NEEQ Market Making Component Index dropped by 27.65%.

#### Operation initiatives and results

Under the environment of slow development of the New OTC Board, the Company's New OTC Board business was positioned as cultivating IPO and merger and acquisition opportunities and serving "four-new" enterprises (being those with new technologies, new industries, new business forms and new models). Furthermore, the Company strictly prevented risks and controlled guidance costs, and closely followed market trends to improve undertaking standards. During the Reporting Period, the Company completed three projects for recommended listing on the New OTC Board and ten projects for issue of shares on the New OTC Board, raising RMB2.356 billion. The Company actively expanded its New OTC market-making business to diversify its business and optimize its position structure. As at the End of the Reporting Period, the Company reduced its position-holding cost from RMB490 million at the beginning of the year to RMB402 million.

#### Challenges and prospects for 2019

In 2019, the opportunity for fundamental reform may occur in the New OTC Board and the Company will keep a close eye on this. Subject to the control of projects quality, the Company will provide better quality service to customers. The Company will select leading companies on the New OTC Board to provide the service of investment and financing integration.

### 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 revenue and other income of RMB2.426 billion, representing an increase of 9.24% as compared with 2017, which was mainly due to an increase in income from fixed revenue investment of the Company.

#### Market environment

In 2018, as affected by multiple factors at home and abroad, China's macro economy faced great downward pressure. A share market continued to decline. The Shanghai Composite Index dropped from 3,307.17 points to 2,493.90 points, a total decline of 24.59%. Monetary capital markets remained tightly balanced, credit risks were constantly exposed and credit spreads were running at a high level. Inter-bank repurchase rates remained low throughout the year, and market yield declined substantially during the volatile situation.

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Operation initiatives and results

#### ① Equity investment

During the Reporting Period, for the proprietary equity business, the Company held a variety of securities in respect of which it participated in the private placement in previous years, and the performance of these securities was generally poor during the Reporting Period. The Company recorded losses in proprietary equity investment. According to the changing situation of the market, the Company adjusted its investment strategy, changed its investment thinking, took the organic combination of active research and quantitative research as the cornerstone, and turned to the investment model that focused on index-enhanced investment strategy and adopted multiple strategies simultaneously, actively adjusted its position, optimized its position structure, and controlled the risk of stocks proprietary business. At the same time, the Company made use of the stock index futures hedging operation to hedge against the systematic risk of the portfolio and effectively reduce the risk exposure.

#### ② Bond investment

During the Reporting Period, for the proprietary bond investment business, the Company kept a close eye on economic policies and macroeconomic variables, closely followed the market dynamics, moderately extended the duration, raised leverage, and captured the opportunities of expanding the allocation of convertible bonds and selected high-quality bonds to raise excess yields. The Company expanded new investment business comprising mainly derivative arbitrage and quantitative trading and achieved the zero breakthrough of investment in bulk commodities. The Company's dealer-quoted bond repurchase business ("Daily Profits" (天天利)) continued to maintain its leading position in the industry, with business size and customer number remaining No. 1 in the industry. As at the End of the Reporting Period, the outstanding balance of the Company's dealer-quoted bond repurchase business (Daily Profits) was RMB8.782 billion. The number of investors was 492,200. The Company was approved to be the first market maker of Haifutong SSE 10-year local government debt ETF, the first public ETF product on the Shanghai Stock Exchange with local debt as its investment subject.

#### ③ Derivatives investment

For the proprietary derivative trading and investment business, the Company overcame the impact of the market downturn, commenced the business of OTC equity options for institutional customers and launched the outright sale and non-outright sale services business for shareholders with substantial number of shares to serve its high net worth clients. The Company was given "good" rating in the liquidity service ratings held by the SSE in 2018.

### Challenges and prospects for 2019

In 2019, on one hand, it will be difficult for the A share market to absorb all kinds of adverse factors in the short term. On the other hand, the bond market will be operating in a more favorable environment and it is very likely that the bond yield will go down and keeps running at a low level. The Company will actively promote the overall reform of its proprietary business, optimize the department settings and business division, make its proprietary investment business more standardized, procedural and internationalized, substantially increase the proportion of quantitative management, and strictly control risk exposure. At the same time, the Company will actively expand the capital intermediary business, steadily carry out all kinds of innovative business, and gradually develop the proprietary investment business into a stable profit growth driver of the Company.

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### (2) Private equity investment

#### Market environment

From the perspective of the investment in equity investment funds, the trend of market funds for investment in high-quality major projects dominated by unicorns is obvious, which puts forward higher requirements for professional ability and human capital of equity investment institutions. Competition among equity investment institutions will be more intense, bargaining power of equity investment institutions will decline, and risk control difficulty will rise. From the perspective of the exit of equity investment funds, due to trade frictions between China and the United States and other factors, the valuation of A share market will decline. In addition, the approval rate of IPOs will decline, and the exit environment of equity investment will be impacted to a certain extent, thus prolonging the exit cycle and reducing investment returns.

#### Operation initiatives and results

During the Reporting Period, Galaxy Capital continued to promote equity investment business with Guangdong Galaxy Yueke Fund equity investment platform as the main body, and completed the investment of three projects. Galaxy Capital has completed the filings stipulated by the regulatory authorities, obtained the relevant business qualifications of private equity fund management subsidiaries, and then started to vigorously promote the preparation and establishment of private equity funds, merger and acquisition funds and poverty alleviation funds. Galaxy Capital continued to strengthen post-investment management, and the reorganization and listing of one invested project were completed.

In 2018, Galaxy Capital realized revenue of RMB-104 million, representing a decrease of 198.11% as compared with 2017, which was mainly due to the greater fluctuation of fair value of equity securities held by Galaxy Capital.

#### Challenges and prospects for 2019

Under the background that it is difficult for equity investment funds to raise funds, Galaxy Capital will continue to vigorously promote the establishment of private equity fund platform and fund establishment so as to achieve new breakthroughs in fund management scale. At the same time, Galaxy Capital will continue to strengthen project development and project reserve, and promote the equity investment business of the funds under its management.

### (3) Alternative asset investment

#### Market environment

Influenced by the requirements of the “Management Rules for Alternative Investment Subsidiaries of Securities Companies” (證券公司另類投資子公司管理規範) and the regulatory policies of the asset management industry, securities companies have actively adjusted the investment business of alternative investment companies. The original financing business and highly leveraged investment business are no longer carried out, and the stock investment business begins to shrink.

#### Operation initiatives and results

Galaxy Yuanhui made a sound allocation of equity investment, other types of equity investment and financial products in the primary market, and achieved considerable results while focusing on business expansion and innovation. For equity investment, Galaxy Yuanhui took an initiative to increase its allocation of equity investment in the primary market, while adding other equity investment projects on the basis of considering security and liquidity in order to obtain short-term and medium-term returns. For investment in financial products, due to the impact of financial deleveraging and trade friction, Galaxy Yuanhui actively reduced the allocation of equity assets in the secondary market. During the Reporting Period, Galaxy Yuanhui realized revenue of RMB72 million, representing an increase of 20.00% as compared with 2017.

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Challenges and prospects for 2019

In 2019, the development of alternative investment projects and business development model of securities companies will continue to be affected by regulatory policies. Galaxy Yuanhui will continue to consolidate its foundation, strictly control risks, strive to serve the Company's overall strategy and the linkage development of various business lines, and actively play the functions of four platforms, namely, integrated financial services platform, innovative business investment platform, asset value-preserving and value-added platform, and business resources collaboration platform, to lay the foundation for sustainable and healthy development.

### 4. Overseas business

During the Reporting Period, Galaxy International Holdings achieved revenue and other income of RMB521 million, representing a year-on-year increase of 10.28%. Various businesses such as the brokerage business, financing business and investment banking business were developed steadily.

#### Market environment

In 2018, the international market was turbulent and the Hong Kong market went downward under pressure. The Hang Seng Index of Hong Kong dropped from its historical high of 33,484.08 points on 29 January 2018 to 25,845.7 points at the end of 2018, with a cumulative decline of more than 20%, down 14% from 29,919.15 points at the end of 2017. At the end of 2018, the market capitalization of Hong Kong's stocks was HK\$29.9 trillion, representing a decrease of 12% year on year.

#### Operation initiatives and results

Galaxy International Holdings maintained stable operation in each of its businesses. With the brokerage business as its basic business, Galaxy International Holdings continued to optimize the collateral quality of securities financing business. In respect of the development of investment banking business, in addition to expanding corporate financing business, Galaxy International Holdings also expanded financial advisory, and merger and acquisition businesses, strengthened project contracting, identified quality assets projects, resorted to corresponding financing support and expanded revenue channels. For the purpose of satisfying the requirements of customers, Galaxy International Holdings further increased product development and product introduction to meet the investment demands of different customers.

During the Reporting Period, to cope with China's "Belt and Road Initiative" development strategy and the Group's plan to accelerate overseas business development, Galaxy International Holdings actively expanded its business in the ASEAN region. On 18 January 2018, Galaxy International Holdings completed the acquisition of 50% of the issued share capital of CIMB Securities International Pte. Ltd. (which was later renamed as CGS-CIMB Securities International Pte. Ltd. ("CGS-CIMB Securities")) from CIMB Group Sdn. Bhd. ("CIMB Group"). Upon completion of the acquisition, the overseas business platform of the Company was extended to seven countries other than Hong Kong, including Singapore, Indonesia, Thailand, India, South Korea, the United States and the United Kingdom. On 18 December 2018, Galaxy International Holdings, CIMB Group and CGS-CIMB Holdings Sdn. Bhd. ("CGS-CIMB Holdings"), a wholly-owned subsidiary of CIMB Group, entered into a share subscription agreement, pursuant to which CGS-CIMB Holdings agreed to issue 600,000 shares and 545,000 shares to Galaxy International Holdings and CIMB Group, respectively. Upon the completion of the transaction, each of Galaxy International Holdings and CIMB Group would hold 50% of the issued share capital of CGS-CIMB Holdings. CGS-CIMB Holdings would act as a joint venture company for the purpose of operating cash equities, research and associated securities businesses in Malaysia.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Challenges and prospects for 2019

With the opening of Shanghai – Hong Kong Stock Connect, Shenzhen – Hong Kong Stock Connect, and the deepening of the Belt and Road development strategy, there are new Chinese securities firms coming to Hong Kong each year for developing their businesses. The market competition will become more intense. In 2019, Galaxy International Holdings will continue to consolidate its profitability, dynamically adjust its business income model, continue to strengthen its diversified business layout, continue to strengthen risk control, internal control system and system construction, and strive to build a diversified income structure with strong resistance to market cyclical fluctuations, so as to protect the long-term sustainable development of the Company.

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

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

In 2018, the Group realized revenue and other income of RMB16.235 billion, representing an increase of 1.56% as compared with 2017; the realized net profits attributable to shareholders of the Company of RMB2.887 billion, representing a decrease of 27.47% as compared with 2017; the Group realized earnings per share of RMB0.28, representing a decrease of 28.21% as compared with 2017, and the weighted average return on net assets amounted to 4.40%, representing a decrease of 1.93 percentage points as compared with 2017. The main reason is the significant fluctuation in revenue of proprietary equity investment.

### (ii) Asset structure and quality

As at the end of 2018, total assets of the Group amounted to RMB251.363 billion, representing a decrease of 1.35% from RMB254.815 billion as at the end of 2017; total liabilities amounted to RMB185.025 billion, representing a decrease of 2.58% from RMB189.929 billion as at the end of 2017; equity attributable to shareholders of the Company amounted to RMB65.982 billion, representing an increase of 2.28% from RMB64.513 billion as at the end of 2017.

Asset structure remained stable while asset quality and liquidity remained satisfactory. In 2018, compositions of the Group's total assets were: cash assets of RMB69.376 billion, mainly including bank balances, clearing settlement funds and transaction deposits, accounting for 27.60%; financing assets of RMB84.599 billion, mainly including advances to financing customers and financial assets held under resale agreements, accounting for 33.66%; financial investment assets of RMB93.430 billion, mainly including investments in financial assets at fair value through profit or loss, financial asset measured at amortized cost, financial assets measured at fair value through other comprehensive income and derivative financial assets, accounting for 37.17%; and operational assets such as other properties and equipment of RMB3.958 billion, mainly including fixed assets, projects under construction, intangible assets and interest receivable, accounting for 1.57%. During the Reporting Period, the Group has made corresponding impairment provision for assets with signs of impairment, and assets quality is relatively high.

The gearing level and operating leverage slightly increased from the beginning of the year. As at the end of 2018, the gearing ratio of the Group was 65.92%, representing an increase of 0.07 percentage point as compared with 65.85% as at the end of 2017. (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)); operating leverage ratio was 2.95 times, equivalent to 2.95 times as at the beginning of 2018. (Note: operating leverage ratio = (total assets – account payable to brokerage clients)/equity attributable to owners of the Company).

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### (iii) Financing channels and capability

The Company maintained a long-term and stable financial policy, focusing on liquidity management of assets and guaranteeing a smooth financing channel. Currently, the Company raised short-term funding primarily by means of inter-bank lending, issuance of short-term notes and income rights certificates. Meanwhile, the Company may also finance long-term capital through follow-on offerings, rights issue, issuance of long-term corporate bonds, long-term subordinated bonds and other ways approved by the competent authorities according to market environment and its own needs. At present, the Company has obtained consolidated credit line from several commercial banks and may employ the foregoing debt financing instruments in a comprehensive manner for raising funds according to its own business needs.

As at the End of the Reporting Period, line of credit granted to the Company amounted to approximately RMB307.212 billion; the cap of borrowing for national inter-bank lending business approved by the People's Bank of China amounted to RMB20 billion; cap for dealer-quoted bond repurchase transactions in interbank bond market amounted to RMB30 billion.

### (iv) Cash flow

Excluding the change in margin deposit of clients, cash and cash equivalents decreased by RMB381 million from the end of last year due to the fact that the cash outflow from the Group's financing activities in the year was more than the cash inflow by operating activities and investing activities.

Net cash flow from operating activities increased by RMB41.342 billion to RMB10.802 billion in 2018 from RMB-30.540 billion for the same period of 2017; net cash flow from investing activities increased by RMB2.203 billion to RMB1.845 billion in 2018 from RMB-0.358 billion for the same period of 2017; net cash flow from financing activities decreased by RMB45.307 billion to RMB-13.144 billion in 2018 from RMB32.163 billion for the same period of 2017; net increase in cash and cash equivalents decreased by RMB1.762 billion to RMB-0.497 billion in 2018 from RMB1.265 billion for the same period of 2017.

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### (v) Operating revenue and profit analysis

#### 1. Items of income statement

##### SUMMARY RESULTS OF OPERATIONS

In 2018, the Group realized profit before income tax of RMB3.682 billion, representing a decrease of 23.43% as compared with 2017. Main financial details are listed as follows:

Unit: RMB in million

Item	2018	2017	Change	Year-on-year growth rate
<b>Revenue</b>				
Commission and fee income	<b>5,050.8</b>	6,355.1	-1,304.3	-20.52%
Interest income	<b>9,480.6</b>	7,344.0	2,136.6	29.09%
Net investment gains	<b>945.8</b>	2,256.4	-1,310.6	-58.08%
<b>Total revenue</b>	<b>15,477.1</b>	15,955.5	-478.4	-3.00%
Other income, gains and losses	<b>757.8</b>	30.4	727.4	2,392.76%
<b>Total revenue, gains and other income</b>	<b>16,235.0</b>	15,985.8	249.2	1.56%
<b>Total expenses</b>	<b>-12,550.3</b>	-11,177.2	-1,373.1	12.28%
Share of result of a joint venture	<b>-2.6</b>	0.0	-2.6	N/A
<b>Profit before income tax</b>	<b>3,682.1</b>	4,808.7	-1,126.6	-23.43%
Income tax expense	<b>-750.4</b>	-789.7	39.3	-4.98%
<b>Profit for the year</b>	<b>2,931.7</b>	4,019.0	-1,087.3	-27.05%
Net profit attributable to owners of the Company	<b>2,887.1</b>	3,980.7	-1,093.6	-27.47%

##### Revenue breakdown

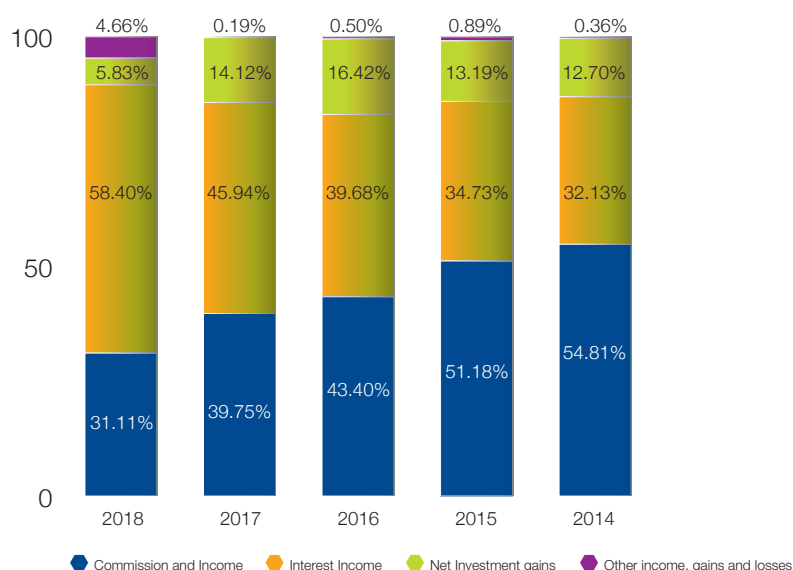
In 2018, the Group's total revenue, gains and other income increased by 1.56% to RMB16.235 billion as compared with 2017. Among others, commission and fee income accounted for 31.11%, representing a decrease of 8.64 percentage points as compared with 2017; interest income took up 58.40%, representing an increase of 12.46 percentage points as compared with 2017; net investment gains accounted for 5.83%, representing a decrease of 8.29 percentage points as compared with 2017. Breakdown of the Group's revenue, gains and other income for the recent five years is listed as follows:

Item	2018	2017	2016	2015	2014
Commission and fee income	<b>31.11%</b>	39.75%	43.40%	51.18%	54.81%
Interest income	<b>58.40%</b>	45.94%	39.68%	34.73%	32.13%
Net investment gains	<b>5.83%</b>	14.12%	16.42%	13.19%	12.70%
Other income, gains and losses	<b>4.66%</b>	0.19%	0.50%	0.89%	0.36%
<b>Total</b>	<b>100.00%</b>	100.00%	100.00%	100.00%	100.00%

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

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

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



From the perspective of change in revenue breakdown, the ratio of revenue from the Group's light-capital business which mainly generates commissions and fee income has been decreasing gradually year-on-year while the ratio of interest income has been increasing gradually year-on-year, and the ratio of net investment gains decreased in 2018 as affected by the market. This reflects the fact that the Group's transformation in development has becoming successful and the Company's revenue breakdown is gradually balancing out.

### Commission and fee income

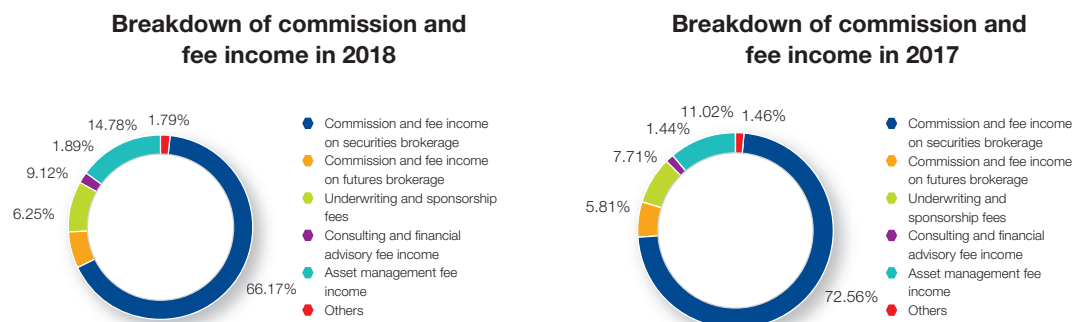
Breakdown of the Group's commission and fee income in 2018 is listed as follows:

Unit: RMB in million

Item	2018	2017	Change	Year-on-year growth rate
<b>Commission and fee income</b>				
Commission and fee income on securities brokerage	<b>3,342.0</b>	4,611.3	-1,269.3	-27.53%
Commission and fee income on futures brokerage	<b>315.5</b>	369.5	-54.0	-14.61%
Underwriting and sponsorship fees	<b>460.5</b>	490.0	-29.5	-6.02%
Consulting and financial advisory fee income	<b>95.6</b>	91.7	3.9	4.25%
Asset management fee income	<b>746.7</b>	700.1	46.6	6.66%
Others	<b>90.6</b>	92.6	-2.0	-2.16%
<b>Total commission and fee income</b>	<b>5,050.8</b>	6,355.1	-1,304.3	-20.52%
<b>Commission and fee income expense</b>	<b>245.4</b>	269.9	-24.5	-9.08%
<b>Net commission and fee income</b>	<b>4,805.4</b>	6,085.2	-1,279.8	-21.03%

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Set out below is the breakdown of the Group's commission and fee income in 2018 and 2017:



In 2018, the Group's net commission and fee income amounted to RMB4.805 billion, representing a decrease of 21.03% as compared with 2017, which was mainly due to a decrease in the commission and fee income on securities brokerage.

Commission and fee income on securities brokerage decreased by RMB1.269 billion or 27.53% as compared with 2017, which was mainly due to A-share market share-based volume contraction and commission rate decline.

Underwriting and sponsorship fee income of investment banking business decreased by RMB30 million or 6.02% as compared with 2017, which was primarily due to the fact that the scale of equity financing in China's capital market shrank significantly under strict supervision in 2018.

### Interest income

In 2018, the Group realized net interest income of RMB3.445 billion, representing an increase of 15.35% as compared with 2017. Breakdown of the Group's net interest income in 2018 is listed as follows:

Unit: RMB in million

Item	2018	2017	Change	Year-on-year growth rate
<b>Interest income</b>				
Deposits and bank balances with exchanges and non-bank financial institutions	1,881.3	1,989.8	-108.5	-5.45%
Advances to financing customers and securities lending	4,002.0	4,196.8	-194.8	-4.64%
Financial assets held under resale agreements	2,420.1	1,157.5	1,262.6	109.08%
<b>Debt instruments measured at fair value through other comprehensive income</b>	<b>839.6</b>	0.0	839.6	N/A
<b>Debt instruments measured at amortized cost</b>	<b>337.6</b>	0.0	337.6	N/A
<b>Total interest income</b>	<b>9,480.6</b>	7,344.0	2,136.6	29.09%
<b>Interest expenses</b>	<b>6,035.9</b>	4,357.6	1,678.3	38.51%
<b>Net interest income</b>	<b>3,444.7</b>	2,986.4	458.3	15.35%

Interest income of financial assets held under resale agreements saw a year-on-year increase of RMB1.263 billion or 109.08%, which was mainly due to the significant increase of average daily scale of dealer-quoted securities repurchase in 2018 as compared with 2017.

Interest income from deposits and bank balances with exchanges and non-bank financial institutions decreased by RMB109 million or 5.45% as compared with 2017, which was primarily due to the decrease in the size of client margin deposits.

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Interest income from advances to financing customers and securities lending decreased by RMB195 million or 4.64% as compared with 2017, which was primarily due to the decrease in the average daily scale of margin financing and securities lending business.

Interest expenses increased by RMB1.678 billion or 38.51% as compared with 2017, mainly due to the increase in short-term financing notes payable and payable bond interest expenditure.

### Net investment gains

In 2018, the Group realized net investment gains of RMB0.946 billion, representing a decrease of 58.08% as compared with 2017. Breakdown of the Group's net investment gains in 2018 is listed as follows:

Unit: RMB in million

Item	2018	2017	Change	Year-on-year growth rate
<b>Investment income/(loss) from the following items</b>				
Available-for-sale financial assets	0.0	1,571.9	-1,571.9	-100.00%
Financial assets measured at FVTPL	-826.5	0.0	-826.5	N/A
Financial assets held for trading	0.0	449.6	-449.6	-100.00%
Derivatives	1,012.4	81.8	930.6	1,137.65%
Held-to-maturity investments	0.0	43.2	-43.2	-100.00%
Debt instruments measured at FVTOCI through other comprehensive income	22.3	0.0	22.3	N/A
Equity instruments measured at FVTOCI through other comprehensive income	711.4	0.0	711.4	N/A
Others	26.2	109.9	-83.7	-76.16%
<b>Total</b>	<b>945.8</b>	<b>2,256.4</b>	<b>-1,310.6</b>	<b>-58.08%</b>

The investment income from derivatives is mainly derived from stock index futures investment income, and the Group's derivatives were mainly used to hedge the risk in spot products. The increase of RMB0.931 billion for the period was mainly due to the sluggish market in 2018 which resulted in an increase in hedging revenue.

Revenue in available-for-sale financial assets decreased by RMB1.572 billion, mainly due to the effect of change of standards.

Financial assets held for trading and financial assets at fair value through profit or loss decreased by RMB1.276 billion in aggregate, mainly due to the decrease in revenue from proprietary equity investment.

Investment revenue from equity instruments measured at FVTOCI amounted to RMB711 million, which was mainly attributable to the income from investment dividend in equity instrument.

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Operating expenses

In 2018, the Group's operating expenses (aside from fee and commission expenses and interest expenses) amounted to RMB6.269 billion, representing a decrease of 4.29%. Main compositions of the Group's operating expenses in 2018 are listed as follows:

Unit: RMB in million

Item	2018	2017	Change	Year-on-year growth rate
<b>Operating expenses</b>				
Depreciation and amortization	218.5	216.5	2.0	0.92%
Staff costs	3,484.6	4,100.5	-615.9	-15.02%
Other operating expenses	2,157.6	1,550.6	607.0	39.15%
Impairment losses	408.3	682.1	-273.8	-40.14%
<b>Total</b>	<b>6,269.0</b>	<b>6,549.7</b>	<b>-280.7</b>	<b>-4.29%</b>

Depreciation and amortization increased by RMB2 million or 0.93% as compared with 2017, which was primarily due to the purchases of fixed assets and intangible assets, resulting in increased depreciation and amortization.

Staff costs decreased by RMB616 million or 15.02% as compared with 2017, which was primarily due to a decrease in bonus for declining performance in 2018.

Other operating expenses increased by RMB607 million or 39.15% as compared with 2017, which was primarily due to the increase in growth in costs of other businesses involved in the warehouses receipts business.

Impairment losses of assets amounted to RMB408 million, representing a decrease of RMB274 million as compared with 2017, details of which are listed as follows:

Unit: RMB in million

Item	2018	2017	Change	Year-on-year growth rate
<b>Impairment losses</b>				
Allowance for/(reversal of) impairment loss in respect of accounts receivable	69.1	3.3	65.8	1,993.94%
Impairment loss in respect of other receivables	11.2	1.9	9.3	489.47%
Impairment loss in respect of available-for-sale financial assets	0.0	639.3	-639.3	-100.00%
Impairment loss in respect of advances to customers	287.7	17.5	270.2	1,544.00%
Impairment loss in respect of financial assets held under resale agreements	35.5	18.2	17.3	95.05%
Impairment loss of credit of debt instruments measured at amortized cost	6.5	0.0	6.5	N/A
Impairment loss of credit of debt instruments measured at FVTOCI	-1.3	0.0	-1.3	N/A
Impairment loss of bank balance	-0.2	0.0	-0.2	N/A
Investments classified as loan and receivables	0.0	1.9	-1.9	-100.00%
<b>Total</b>	<b>408.3</b>	<b>682.1</b>	<b>-273.8</b>	<b>-40.14%</b>

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Impairment losses of assets of the Group amounted to RMB408 million in 2018, which was mainly due to the fact that we made the impairment provision for receivables and other receivable (financing and securities receivables inclusive) of RMB362 million, and the impairment provision for the financial assets held under resale agreements assets of RMB35 million based on the expected credit loss because of the large market fluctuations.

Impairment loss or respect of available-for-sale financial assets decreased by RMB0.639 billion, mainly due to the effect of change of financial instrument standards.

### 2. Asset items

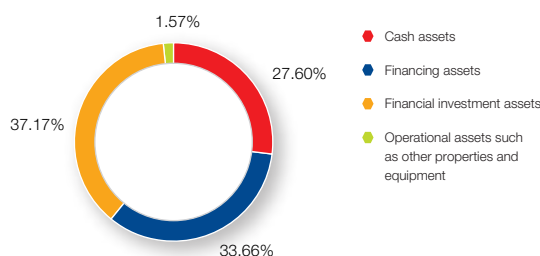
As at 31 December 2018, the total assets of the Group amounted to RMB251.363 billion, representing a decrease of 1.35% as compared with 2017. Among others, cash assets amounted to RMB69.376 billion, representing a decrease of 11.19% with as compared with 2017; financing assets amounted to RMB84.599 billion, representing a decrease of 13.96% as compared with 2017; financial investment assets amounted to RMB93.430 billion, representing an increase of 30.45% as compared with 2017; and operational assets such as other properties and equipment, mainly including fixed assets, projects under construction and intangible assets, amounted to RMB3.958 billion, representing a decrease of 41.40% as compared with 2017. Major changes in the Group's total assets are listed as follows:

Unit: RMB in million

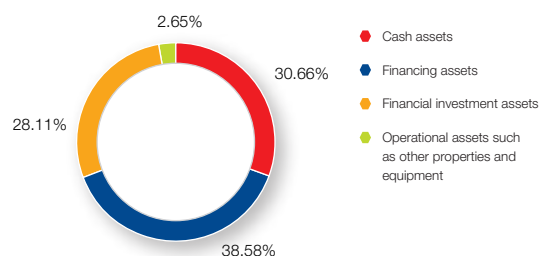
Item	31 December 2018	31 December 2017	Change	Year-on-year growth rate
Cash assets	69,376.0	78,116.7	-8,740.7	-11.19%
Financing assets	84,599.0	98,319.9	-13,720.8	-13.96%
Financial investment assets	93,429.8	71,623.3	21,806.5	30.45%
Operational assets such as other properties and equipment	3,958.4	6,755.1	-2,796.5	-41.40%
<b>Total</b>	<b>251,363.3</b>	<b>254,815.0</b>	<b>3,451.7</b>	<b>-1.35%</b>

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

**Analysis of assets composition  
as at 31 December 2018**



**Analysis of assets composition in  
as at 31 December 2017**





## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Cash assets

As at 31 December 2018, the Group's cash assets decreased by RMB8.741 billion or 11.19% as compared with 2017, accounting for 27.60% 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 2018	31 December 2017	Change	Year-on-year growth rate
<b>Cash assets</b>				
Bank balances	51,413.6	59,741.7	-8,328.1	-13.94%
Clearing settlement funds	12,686.5	12,538.5	148.0	1.18%
Deposits with exchanges and non-bank financial institutions	5,275.9	5,836.5	-560.6	-9.60%
<b>Total</b>	<b>69,376.0</b>	<b>78,116.7</b>	<b>-8,740.7</b>	<b>-11.19%</b>

The change in cash assets was mainly reflected in bank balances, which amounted to RMB51.414 billion, representing a decrease of 13.94% as compared with 2017, which was mainly due to the decrease in client margin deposits.

### Financing assets

As at 31 December 2018, the Group's financing assets decreased by RMB13.721 billion or 13.96% as compared with 2017, accounting for 33.66% 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 2018	31 December 2017	Change	Year-on-year growth rate
<b>Financing assets</b>				
Advances to financing customers	44,631.9	60,063.7	-15,431.8	-25.69%
Financial assets held under resale agreements	39,967.1	38,256.2	1,710.9	4.47%
<b>Total</b>	<b>84,599.0</b>	<b>98,319.9</b>	<b>-13,720.9</b>	<b>-13.96%</b>

Advances to financing customers decreased by 25.69% to RMB44.632 billion, which was primarily due to the decline of the Group's financing business.

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Financial investment assets

As at 31 December 2018, the Group's financial investment assets increased by RMB21.806 billion or 30.45% as compared with 2017, accounting for 37.17% 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 2018	31 December 2017	Change	Year-on-year growth rate
<b>Financial investment assets</b>				
Investment in a joint venture	876.8	0.0	876.8	N/A
Investments classified as loan and receivables	0.0	4,984.1	-4,984.1	-100.00%
Available-for-sale financial assets	0.0	34,060.8	-34,060.8	-100.00%
Financial assets measured at fair value through profit or loss	60,338.3	29,010.3	31,328.0	107.99%
Debt instruments measured at amortized cost	5,061.8	0.0	5,061.8	N/A
Debt instruments measured at fair value through other comprehensive income	17,299.2	0.0	17,299.2	N/A
Equity instruments measured at fair value through other comprehensive income	9,777.4	0.0	9,777.4	N/A
Derivative financial assets	76.3	22.9	53.4	232.63%
Held-to-maturity investments	0.0	3,545.2	-3,545.2	-100.00%
<b>Total</b>	<b>93,429.8</b>	<b>71,623.3</b>	<b>21,806.5</b>	<b>30.45%</b>

As at 31 December 2018, the Group's financial assets measured at fair value through profit or loss increased by RMB31.328 billion or 107.99% as compared with 2017, accounting for 24.00% of the Group's total assets, which was mainly due to the impact on financial instruments standard. 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 2018	31 December 2017	Change	Year-on-year growth rate
<b>Financial assets measured at fair value through profit or loss</b>				
Debt securities	35,924.0	16,047.1	19,876.9	123.87%
Equity securities	5,765.7	6,664.9	-899.2	-13.49%
Funds	12,766.5	4,525.4	8,241.1	182.11%
Trust schemes	1,759.6	0.0	1,759.6	N/A
Other investments	4,122.5	1,772.9	2,349.6	132.53%
<b>Total</b>	<b>60,338.3</b>	<b>29,010.3</b>	<b>31,328.0</b>	<b>107.99%</b>

As at 31 December 2018, balance of debt securities increased by RMB19.877 billion as compared with 2017, mainly due to the increase in investment size of securities. Balance of funds increased by RMB8.241 billion as compared with 2017, mainly to the increase in investment size of monetary funds.

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Operational assets such as properties and equipment

As at 31 December 2018, the Group's operational assets such as properties and equipment amounted to RMB3,958 million, decreasing by RMB2,797 million or 41.40% as compared with 2017, accounting for 1.57% of the Group's total assets. The composition of the Group's operational assets such as properties and equipment as at the date indicated below is listed as follows:

Unit: RMB in million

Item	31 December 2018	31 December 2017	Change	Year-on-year growth rate
<b>Operational assets such as properties and equipment</b>				
Property and equipment	364.5	381.1	-16.6	-4.35%
Goodwill	223.3	223.3	0.0	0.00%
Other intangible assets	391.7	385.8	5.9	1.52%
Deferred tax assets	477.5	168.0	309.4	184.12%
Accounts receivable	643.1	1,002.8	-359.7	-35.87%
Tax recoverable	169.4	565.6	-396.1	-70.04%
Other receivables and prepayments	1,680.8	4,028.4	-2,347.6	-58.28%
Investment properties	8.2	0.0	8.2	N/A
<b>Total</b>	<b>3,958.4</b>	<b>6,755.0</b>	<b>-2,796.5</b>	<b>-41.40%</b>

The decrease in other receivables and prepayments was mainly due to the change of financial instrument standards and re-classification of interest receivable and inclusion of the same in the related financial investment items.

### 3. Liability items

As at 31 December 2018, the Group's total liabilities amounted to RMB185.025 billion, decreasing by RMB4.903 billion or 2.58% as compared with 2017. As at 31 December 2018, accounts payable to brokerage clients was RMB56.695 billion, representing an decrease of 12.49% as compared with 2017; financial assets sold under repurchase agreements was RMB28.060 billion, representing an increase of 49.92% as compared with 2017; banks and bonds payable, etc. was RMB91.275 billion, representing a decrease of 3.17% as compared with 2017, which was mainly due to the decrease in the issuance size of financing instrument payables. Major changes in the Group's total liabilities are listed as follows:

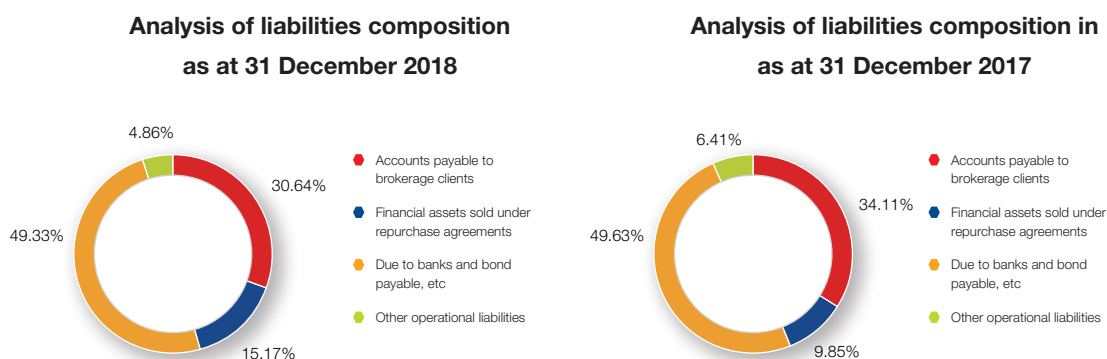
Unit: RMB in million

Item	31 December 2018	31 December 2017	Change	Year-on-year growth rate
<b>Liabilities</b>				
Accounts payable to brokerage clients	56,695.3	64,787.1	-8,091.8	-12.49%
Financial assets sold under repurchase agreements	28,059.9	18,716.2	9,343.7	49.92%
Due to banks and bonds payable, etc.	91,274.5	94,259.1	-2,984.6	-3.17%
Other operational liabilities	8,995.7	12,166.1	-3,170.4	-26.06%
<b>Total</b>	<b>185,025.4</b>	<b>189,928.5</b>	<b>-4,903.1</b>	<b>-2.58%</b>

Increase in financial assets sold under repurchase agreement is mainly due to the increase in balances of ordinary pledge repurchase transactions.

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

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



### Due to banks and bonds payable, etc.

Unit: RMB in million

Item	31 December 2018	31 December 2017	Change	Year-on-year growth rate
<b>Due to banks and bonds payable, etc.</b>				
Due to banks and other financial institutions	5,012.7	3,050.3	1,962.3	64.33%
Financing instrument payables	16,532.9	29,454.5	-12,921.7	-43.87%
Bonds payable	69,729.0	61,754.3	7,974.7	12.91%
<b>Total</b>	<b>91,274.5</b>	<b>94,259.1</b>	<b>-2,984.6</b>	<b>-3.17%</b>

The amount payable to banks and non-bank financial institutions was RMB5.013 billion, representing an increase of 64.33% as compared with 2017, which was primarily due to new borrowing funds and additional short-term borrowings by Hong Kong subsidiaries.

Financial instrument payables decreased by RMB12.922 billion year on year, mainly due to the decrease in the issuance size of financing instrument payables.

Bonds payable increased by RMB7.975 billion year on year, all of which are the outstanding corporate bonds and subordinated bonds issued by the Group.

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### Other operational liabilities

Unit: RMB in million

Item	31 December 2018	31 December 2017	Change	Year-on-year growth rate
<b>Other operational liabilities</b>				
Accrued staff costs	<b>2,591.5</b>	3,389.6	-798.1	-23.54%
Other payables and accruals	<b>4,711.0</b>	8,302.5	-3,591.5	-43.26%
Current tax liabilities	<b>11.0</b>	63.7	-52.7	-82.79%
Financial liabilities measured at fair value through profit or loss	<b>1,458.7</b>	268.5	1,190.2	443.29%
Derivative financial liabilities	<b>213.4</b>	135.2	78.2	57.91%
Deferred tax liabilities	<b>10.1</b>	6.6	3.5	53.41%
<b>Total</b>	<b>8,995.7</b>	12,166.1	-3,170.4	-26.06%

Accrued staff costs decreased by RMB798 million or 23.54% as compared with 2017, which was primarily due to the decline in the Group's financial results, which resulted in a reduction in the performance based fee.

Financial liabilities measured at fair value through profit or loss increased by RMB1,190 million year on year, representing an increase of 443.29% over the same period of last year, mainly due to the increase in the scale of income swap products and financial instrument payables linked to stock index

Derivative financial liabilities increased by RMB78 million or 57.91% year on year, mainly due to the increase in the scale of derivative financial liabilities resulting from the commencement of OTC options business.

Other payables and accruals decreased by RMB3.592 billion or 43.26% as compared with 2017, which was mainly due to the transition of financial instrument standards and re-classification of interest payables and inclusion of the same in relevant items of financial liabilities.

#### 4. Equity items

As at 31 December 2018, the Group's total equity was RMB66.338 billion, representing an increase of 2.24% as compared with 2017. The following table sets forth the composition of the Group's equities as at the date indicated:

Unit: RMB in million

Item	31 December 2018	31 December 2017	Change	Year-on-year growth rate
Share capital	<b>10,137.3</b>	10,137.3	0.0	0.00%
Reserves	<b>39,764.6</b>	38,498.8	1,265.8	3.29%
Retained profits	<b>16,080.2</b>	15,876.9	203.3	1.28%
Non-controlling interests	<b>355.8</b>	373.4	-17.6	-4.72%
<b>Total</b>	<b>66,337.9</b>	64,886.4	1,451.5	2.24%

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### 5. SEGMENT RESULTS

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

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

Unit: RMB in million

	2018		2017	
	Amount	Percentage	Amount	Percentage
Securities brokerage	10,735.7	66.13%	11,172.2	69.89%
Futures brokerage	1,551.7	9.56%	849.7	5.32%
Proprietary trading and other securities trading services	2,425.5	14.94%	1,922.3	12.02%
Investment banking	497.7	3.07%	521.0	3.26%
Asset management	884.9	5.45%	1,060.0	6.63%
Private equity investment	-31.5	-0.19%	168.0	1.05%
Overseas business	520.8	3.21%	472.3	2.95%
Others	561.2	3.46%	470.5	2.94%
Inter-segment eliminations	-911.1	-5.61%	-650.1	-4.07%
<b>Total</b>	<b>16,235.0</b>	<b>100.00%</b>	<b>15,985.9</b>	<b>100.00%</b>

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

Unit: RMB in million

	2018		2017	
	Amount	Percentage	Amount	Percentage
Securities brokerage	6,955.4	55.42%	6,671.6	59.69%
Futures brokerage	1,215.3	9.68%	539.2	4.82%
Proprietary trading and other securities trading services	2,478.7	19.75%	2,315.9	20.72%
Investment banking	311.9	2.48%	292.4	2.62%
Asset management	801.8	6.39%	776.4	6.95%
Private equity investment	53.1	0.42%	65.1	0.58%
Overseas business	384.2	3.06%	335.7	3.00%
Others	917.4	7.31%	630.1	5.64%
Inter-segment eliminations	-567.4	-4.52%	-449.2	-4.02%
<b>Total</b>	<b>12,550.3</b>	<b>100.00%</b>	<b>11,177.2</b>	<b>100.00%</b>

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

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

Unit: RMB in million

	2018		2017	
	Amount	Percentage	Amount	Percentage
Securities brokerage	3,780.3	102.67%	4,500.6	93.59%
Futures brokerage	336.4	9.14%	310.5	6.46%
Proprietary trading and other securities trading services	-53.1	-1.44%	-393.6	-8.19%
Investment banking	185.8	5.05%	228.6	4.75%
Asset management	83.1	2.26%	283.6	5.90%
Private equity investment	-84.6	-2.30%	102.9	2.14%
Overseas business	134.0	3.64%	136.6	2.84%
Others	-356.2	-9.67%	-159.6	-3.32%
Inter-segment eliminations	-343.7	-9.33%	-200.9	-4.18%
<b>Total</b>	<b>3,682.1</b>	<b>100.00%</b>	<b>4,808.7</b>	<b>100.00%</b>

### (vi) Contingent liabilities

Nil

### (VII) Analysis of Investments

Unit: RMB in million

Item	31 December 2018		The period from 1 January 2018 to 31 December 2018	
	Initial investment cost/nominal value	Fair value	Investment gains	Changes in fair value
Financial assets measured at fair value through profit or loss	60,844.82	60,338.28	-2,196.13	1,369.63
Debt instruments measured at fair value through other comprehensive income	16,639.22	17,299.23	22.31	394.41
Equity instruments measured at fair value through other comprehensive income	9,869.81	9,777.44	711.37	-704.07
Derivative financial instruments	35,267.68	-137.12	869.65	142.80

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

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

- (1) Galaxy Futures has a registered capital of RMB1.2 billion, in which the Company holds an equity interest of 83.32%. Its major business scope is 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 2018, the total assets and net assets of Galaxy Futures were RMB17.108 billion and RMB1.874 billion, respectively. In 2018, it achieved an operating income and a net profit of RMB1,532 million and RMB255 million, respectively.
- (2) Galaxy Capital has a registered capital of RMB1.0 billion, in which the Company holds an equity interest of 100%. Its major business scope is to establish private equity investment funds and manage private equity investment funds, etc. As at 31 December 2018, the total assets and net assets of Galaxy Capital were RMB1.379 billion and RMB1.014 billion, respectively. In 2018, it achieved an operating income and a net profit of RMB-104 million and RMB-96 million, respectively.
- (3) Galaxy International Holdings has a registered capital of HK\$3.261 billion, in which the Company holds an equity interest of 100%. Its major business scope is to provide securities broker, futures broker, research and analysis, investment banking, asset management, insurance broker and proprietary business and etc. in Hong Kong through a number of wholly owned subsidiaries. According to the financial statements prepared in accordance with Chinese Accounting Standards for Business Enterprises, as at 31 December 2018, the total assets and net assets of Galaxy International Holdings were RMB8.708 billion and RMB3.202 billion, respectively. In 2018, it achieved an operating income and a net profit of approximately RMB369 million and RMB123 million, respectively.

CGS-CIMB Securities has a registered capital of 878 million Singapore dollars, in which Galaxy International Holdings holds an equity interest of 50%. Its major business scope is to provide securities futures broker, investment banking, derivative, securities lending and investment consultancy and etc. in Singapore, Indonesia, Thailand, India, Hong Kong, South Korea and other places through a number of wholly owned subsidiaries. According to the financial statements prepared in accordance with Singapore Accounting Standards for Business Enterprises, as at 31 December 2018, the total assets and net assets of CGS-CIMB Securities were 1.586 billion Singapore dollars and 0.259 billion Singapore dollars, respectively. In 2018, it achieved an operating income and a net loss of 174 million Singapore dollars and 5.25 million Singapore dollars, respectively.

- (4) Galaxy Jinhui has a registered capital of RMB1.0 billion, in which the Company holds an equity interest of 100%. 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 2018, the total assets and net assets of Galaxy Jinhui were RMB2.309 billion and RMB1.273 billion, respectively. In 2018, it achieved an operating income and a net profit of RMB787 million and RMB64 million, respectively.
- (5) Galaxy Yuanhui has a registered capital of RMB1.5 billion, in which the Company holds an equity interest of 100%. Its major business scope is proprietary investment 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 2018, the total assets and net assets of Galaxy Yuanhui were RMB1.603 billion and RMB1.574 billion, respectively. In 2018, it achieved an operating income and a net profit of RMB72 million and RMB36 million, respectively.



## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

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

As at 31 December 2018, the Group consolidated 42 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 2018, the total assets of the above structured entities incorporated into the consolidation were RMB13.830 billion.

### (X) Others

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

As at the End of the Reporting Period, the Company had established 36 branch offices and 493 securities branches.

##### (1) Establishment of Securities Branches

During the Reporting Period, according to the “Approval on the Establishment of 45 Branches by China Galaxy Securities Co., Ltd.” (Jing Zheng Jian Xu Ke [2017] No. 53) issued in July 2017 and the “Approval on the Establishment of 21 Branches by China Galaxy Securities Co., Ltd.” (Jing Zheng Jian Xu Ke [2018] No. 49) issued in July 2018, the Company completed the establishment of 23 securities branches (subject to the time of obtaining licenses).

##### (2) Relocation of Branches and Securities Branches

The Company has constantly adjusted and optimized the branch layout. During the Reporting Period, the Company relocated 35 branches within the same city, including 3 branch offices and 32 securities branches, namely Chongqing branch office, Henan branch office, Tibet branch office, Beijing Zhushikou Street Securities Branch, Beijing Anzhenmen Securities Branch, Shanghai Shijie Road Securities Branch, Shanghai Gushan Road Securities Branch, Chongqing Hanyu Road Securities Branch, Shenzhen Shenye UpperHills Securities Branch, Shenzhen Fuhua First Road Securities Branch, Shenzhen OCT Securities Branch, Shenzhen Minzhi Securities Branch, Foshan Nanhai Guilin North Road Securities Branch, Shaoxing Shangyu Shimin Avenue Securities Branch, Qingtian Longjin Road Securities Branch, Changxing Jinling North Road Securities Branch, Ningbo Junzi Street Securities Branch, Yuyao Yangming West Road Securities Branch, Jiangyin Hongqiao North Road Securities Branch, Zhenjiang Zhengdong Road Securities Branch, Nantong Industrial and Agricultural Road Securities Branch, Zhangjiagang Shazhou West Road Securities Branch, Taigu Kangyuan Road Securities Branch, Hongdong Feihong East Street Securities Branch, Jinan Luyuan Street Securities Branch, Liaocheng Dongchang West Road Securities Branch, Wuhan Longyang Avenue Securities Branch, Zaoyang Securities Branch, Loudi Leping Avenue Securities Branch, Zhengzhou Nanyang Road Securities Branch, Luoyang Taikang Road Securities Branch, Nanchang Honggutuan New Area Securities Branch, Putian Yanshou Middle Street Securities Branch, Daqing Jingsan Road Securities Branch, Lhasa Jinzhu Middle Road 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 rules and regulations formulated by the Company such as the “Implementation Rules for Customers’ Account Management”, the “Implementation Rules for Customers’ Information Management” and the “Operating Procedures for Counter Brokerage Business”, and realized centralized verification of account information and centralized management of images so as to ensure that new accounts could conform to the standards of qualified accounts; and completed procedures for re-activating dormant accounts and regulating unqualified accounts in strict accordance with the operating procedures so as to ensure that account regulation could be conducted in an orderly way.

During the Reporting Period, the business departments had no risk disposition account, and the Company’s original unqualified accounts and petty dormant accounts were regulated and re-activated orderly. In particular, the Company regulated 7 unqualified fund accounts, and recorded 1,806 unqualified fund accounts at the End of the Reporting Period; re-activated 2,894 petty dormant fund accounts, increased 0 petty dormant accounts annually and logged 2,032,308 petty dormant fund accounts at the End of the Reporting Period (including: 536,778 pure fund accounts under management with reference to standards for dormant account management). Apart from that, the Company scored 165 fund accounts judicially frozen at the end of 2018, increasing by 28 accounts.

	At the end of 2017 (RMB Accounts)	At the end of 2018 (RMB Accounts)	Change
Dormant fund accounts	2,035,202 (including pure fund accounts: 536,944)	2,032,308 (including pure fund accounts: 536,778)	Re-activated 2,894 accounts. No increase in dormant accounts as China Securities Depository and Clearing Corporation Limited did not conduct securities account freezing in 2018
Unqualified fund accounts	1,813	1,806	Decreased by 7
Judicially-frozen fund accounts	137	165	Increased by 28
Risk disposition accounts	0	0	–

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

#### (1) Business Innovation

During the Reporting Period, the Company focused on developing intelligent application programs (APP), strengthening the sales of financial products, and actively obtaining new business qualifications such as commodity swap trader qualification, crude oil futures business qualification and so on. Galaxy Capital has vigorously promoted the preparation and establishment of private equity funds, merger and acquisition funds and poverty alleviation funds.

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### (2) Risk control of business innovation

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

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

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

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

On the basis of comprehensive system including risk management policies and methods, as well as various risk management methods such as market, credit, operation and liquidity, the company has formulated the Measures for Risk Management of New Business and New Product of China Galaxy Securities Co., Ltd. to standardize the working process of risk management of new business and new product of the Company, and formulate a series of corresponding measures for specific innovative business including risk management guidelines and risk management rules, clarify business risk control standards, promote new business, new products stable development or issuance. At the same time, combined with the industry situation, regulatory requirements and business development, the Company constantly revises and improves the risk management system and process system to provide protection against business risks and improve business efficiency.

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

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

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

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

#### (I) Industry landscape and trend

In 2018, China's securities industry continued the strict supervision situation in 2017. Risk prevention, leverage reduction and channel removal are the main keys of financial supervision. Intensive promulgation of regulatory policies includes revising the risk management guidelines for securities companies' stock pledge repurchase transactions to guard against transaction risks; strengthening the standardized management of bond raising funds to prevent "falling from the real to the false"; strictly checking the stock issuance and further improving the delisting system of enterprises; implementing new asset management regulations and supporting rules, unifying the regulatory standards and braking the rigid payment to rebuild the business ecosystem of asset management. Although the situation of strict supervision continues, the policy margin has been improved. The Nineteenth National Congress of the Communist Party of China proposed to promote the formation of a new pattern of comprehensive opening up and further enhance the level of capital market opening to the outside world. On one hand, the process of introducing foreign capital and internationalizing futures varieties has been continuously pushed forward in China, Shanghai-London Stock Connect has accelerated its landing, crude oil futures have been listed smoothly and etc. On the other hand, proportion of restrictions on foreign investment in China has been relaxed to 51%, while securities and futures companies are encouraged to set up, acquire and participate in overseas futures business institutions to enhance cross-border service capabilities. With the continuous promotion of financial industry opening to the outside world, business opportunities coexist with external challenges. Domestic securities companies urgently need to accelerate the pace of business transformation, learn from the experience of leading international investment banks, to achieve leapfrog development, and build international first-class investment banks.

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

In 2018, the Company formulated and formally adopted the five-year strategic plan. The new plan comprehensively explains how the Company to use the new business model of "dual-wheel drive and coordinated development" as well as new management mechanism and new internal mechanism of "centralized planning + line supervision + decentralized management" under the new development concept in new situation, to build the business system of "three in one" (i.e. wealth management, investment and financing, international business). The Company has taken strategic measures to continuously enhance its competitiveness, secure its market advantage, and gradually achieve the strategic objectives of "building a carrier securities broker and a modern investment bank".

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### (III) Operation plans

2019 is the second year of the implementation of the Company's new strategic plan and the last year of the Company's three-year strategic transformation. The Company's various businesses including wealth management line, investment and financing line, proprietary and trading line and international line are steadily advancing on the basis of the existing achievements in the transformation and development, consolidating and upgrading market ranking, and moving towards the systemically important securities financial institutions. The Company will do two key tasks well: first, to build an international business line, based on Galaxy International Holdings and CGS-CIMB Securities, and gradually establish an international cross-border securities service system covering the whole of Asia, with Southeast Asia as its base; second, to improve the management level of subsidiaries, classify the policies to different subsidiaries according to the principle of "the same horizontal line", promote the reform of subsidiary management system, and realize the resource pairing of parent and subsidiary companies, promote the coordinated development of parent-subsidiary businesses and gradually increase the proportion of subsidiary revenue. The Company will do six consolidations: first, consolidate credit business with the principle of "stabilizing scale, adjusting structure, controlling risks and guaranteeing profits"; second, adhere to the principle of "striving for progress steadily", consolidate brokerage business, continue to strengthen "brokerage + internet", strengthen institutional professional transactions, enhance the level of artificial Intelligent (AI) and institutional services, and stabilize the market position of brokerage business; third, consolidate the development momentum of asset management, focus on achieving synergy with brokerage business, strengthen self-management, overcome difficulties of industries; Fourth, consolidate the achievements of transformation of research institutes, transform from the commission distribution model to the development of think tanks of the Company, and effectively play a supporting role in business development and operating management; Fifth, consolidate the achievements of proprietary business reform, strictly control the scale of directional investment, pay attention to capital intermediary investment, and vigorously develop sales and trading business. Sixthly, consolidate the achievements of investment bank transformation, and focus on the combination of investment and financing.

### (IV) Potential risks

During the Reporting Period, by pursuing a sound risk management culture, continuously strengthening the construction of comprehensive risk management system, and further improving the comprehensive risk management system and comprehensive risk management organizational system, the Company clarified the risk management responsibilities of the "three-layer defence", strengthened the construction of risk management system, the management of risk indicators and risk response mechanism, attached importance to the construction of risk management talents team, and actively promoted the vertical management and consolidated management of subsidiaries, and effectively enhanced the risk management capabilities of the Company. In accordance with the long-term plan for the construction of comprehensive risk management system formulated by the Company, the Company will employ external professional consultants to diagnose, plan and promote the comprehensive risk management and consolidated supervision, and to continue to promote the construction of various risk management systems in cooperation with relevant professional consulting projects. In addition, the Company has always attached importance to compliance risks and gradually established an internal control mechanism for all employees and the whole business process to ensure the legal compliance of the Company. The Company has continued to increase investment in IT, conducted basic IT research, strengthened independent development, ensured the safe and stable operation of the system, and provided effective support for business development of the Company. The recruitment of risk control, compliance and IT personnel of the Company are also actively pushed ahead.

Major risks affecting the operation of the Company include market risk, credit risk, liquidity risk, operational risk and cyber and security risk. During the Reporting Period, the Company adopted effective measures to actively address the problems, effectively operated the risk management system and ensured the safety of business operation of the Company.

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### 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 and etc., including securities price risk, interest rate risk and currency rate risk.

#### (1) Securities price risk

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

The 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 an unified basis. Through the defensive lines of the internal risk division of the business department and the risk management department, the Company implemented independent risk monitoring, analysis and reporting to discover and handle risks in a timely manner. Thirdly, the Company implemented the risk permit management to control indicators such as the scale of risk exposure, concentration 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 Company's total investment portfolio amounted to approximately RMB59 million, only accounting for 0.10% of its net capital.

#### (2) Interest rate risk

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

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

#### (3) Currency rate risk

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

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### 2. Credit risk

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

As at the End of the Reporting Period, 66% of the credit bonds held by the Company had a credit rating of AAA, 34% had a credit rating of AA and AA+. There was no default from issuers. During the End of the Reporting Period, the Company maintained an average margin ratio of 226% for its margin financing and securities lending clients with outstanding liabilities, an average margin ratio of 225% for its stock-pledged repurchase clients with outstanding liabilities and an average margin ratio of 223% for its agreed repurchase securities trading clients with outstanding liabilities. The overall credit risk of the Company was under control.

### 3. Liquidity risk

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

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

### 4. Operational risk

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

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

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

### 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 result of 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 strived to achieving 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 anti-virus and data anti-leakage systems, installing firewalls and other anti-network attack security devices at network boundaries; conducting security vulnerability scanning on important systems and engaging external security companies to carry out security assessments and penetration tests for essential systems.

During the Reporting Period, the Company's overall cyber risk was controllable and important information technology systems operated in a safe and stable manner.

### (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 stress test, internal audit review and other related work of risk control indicators are carried out by designated staff of related departments. In 2018, the Company has conducted dynamic monitoring of routine net capital and liquidity risk control indicators by continuing to use the risk control indicator dynamic monitoring system and realized real-time and dynamic monitoring and pre-warning of the Company's net capital and liquidity risk control indicators. In order to prevent any shock and impact on risk control indicators due to capital increase and guarantee with net assets and capital expenditure of large amount of subsidiaries, effective measures have been promptly taken, such as short-term borrowings and issuance of long-term bond through earlier calculation and predicting net capital and liquidity risk control indicators at the end of the period, so as to prevent the possible risk of exceeding the limit of risk control indicators. The dynamic monitoring in 2018 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 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 2018, the company launched its future strategic development plan, clarified its strategic objectives of "building a carrier securities broker and a modern investment bank", strengthened debt management, asset management and 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 way of issuing income certificates and the transfer of margin financing and securities lending income rights, etc. It replenished the long-term available stable fund to increase the net stable fund rate through the issuance of long-term corporate bonds and subordinated debts, etc. The Company adhered to prudent financial principles, so as to ensure a dynamic balance between the business development and risk resistance capability of the Company. The Company made proper capital allocation and debt financing arrangements. When the capital adequacy target continued to fall or there were potentially significant adverse factors, the Company will start the financing programme at an appropriate time based on the market conditions to guarantee the level of the capital adequacy. In 2018, the Company issued long-term subordinated debts with an aggregate amount of RMB16.0 billion to replenish net capital of subsidiaries 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 Audit Committee.

##### (1) Compliance and Risk Management Committee

The Compliance and Risk Management Committee is responsible for assisting the Board in formulating strategies, policies and the basic risk management and internal control system of the Company. The Risk Management Committee proposes the Company’s overall risk quota, evaluates events with significant risks and assesses the implementation of compliance and risk management measures and the performance of the relevant senior management officers. It proposes risk management improvement advice to the Board on a regular basis, and supervises the 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 supervising, inspecting 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.

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

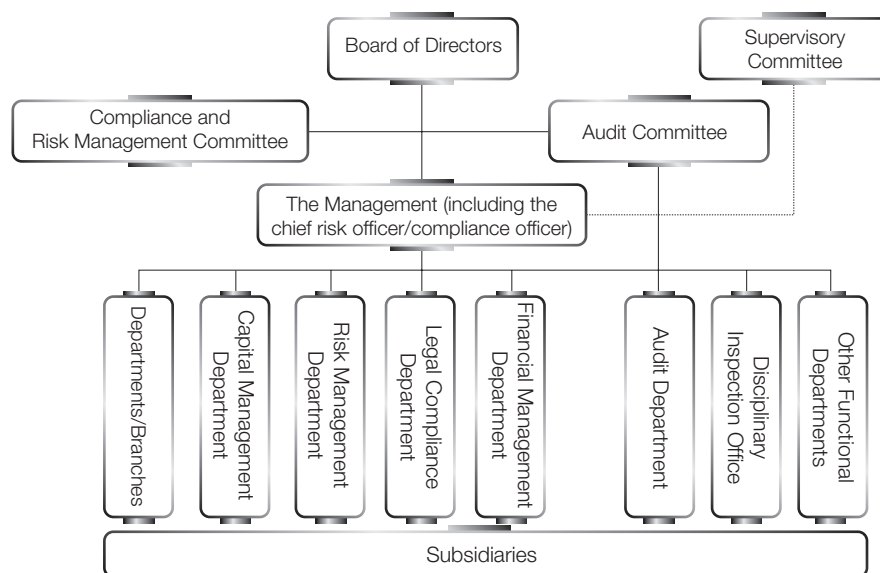
### 4. Departments, branches and subsidiaries

Business departments, functional departments and branches of the Company are charged with the first responsibility in risk management. They shall execute the Company's risk management policies and systems, fully appreciate and give due consideration to various risks when making decisions, and timely and effectively identify, assess, monitor, respond to and report relevant risks. The Company deploys 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 promotes comprehensive risk management and independently identifies, evaluates, monitors, and reports market risks, credit risks, operational risks and liquidity risks. The legal compliance department manages corporate legal risks, compliance risks and money laundering risks and provides the Company with legal professional support services. The financial management department measures, monitors and reports on net capital risk control indicators. The audit department conducts independent and objective review and evaluation of the adequacy and effectiveness of risk management and tracks the implementation of relative corrective actions. The discipline inspection and supervision office conducts inspection on the discipline of Company's committee party and supervises the operating management, and assists the party committee to strengthen its working atmosphere, organizes and coordinates anti-corruption work. In addition, the capital management department implements centralized management of company funds and liquidity. The human resources department, IT department, settlement management department and offices, in their respective scope duties, manage the risks such as loss of human resource, information technology, settlement and the Company's reputation.

## SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

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



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

During the year, the Group initially applied the new and revised International Financial Reporting Standards and the new and revised International Financial Reporting Standards in issue but not yet effective issued by the International Accounting Standards Board. For description of the changes in accounting policies, please refer to “Section XI Consolidated Financial Statements – Note 2. Application of New and Amendments to International Financial Reporting Standards” of this annual report.

## 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 environmental policies and performance of the Company, please refer to "XV. Other Disclosures – (viii) Performance of Social Responsibilities" of this section. For details of the Company's compliance with the laws and regulations having major impact on the Company, please refer to "XV. Other Disclosures – (viii) Performance of Social Responsibilities" of this section, "Section VI Other Significant Events – VI. Other 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 – (viii) 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; the Company shall distribute its profit by way of cash dividend as priority. The Company may distribute dividends in cash, shares or in a combination of cash and shares. If the relevant conditions are satisfied, interim profit distribution may be made by the Company. Save for the event that the Company will not distribute dividends in cash due to any significant investment, if the Company makes profit for the year and its accumulative undistributed profit is positive, the profit to be distributed in cash per annum should not be less than 10% of the distributable profit of the Company realized in that year. Where the Company is under a good operating condition, and the Board considers that the share price of the Company does not reflect its share capital size and distributing dividends in shares will be in the interest of all shareholders of the Company as a whole, the Company may carry out profit distribution through payment of dividends in shares having satisfied the aforesaid conditions for cash dividend distribution. In formulating the plan of profit distribution, full consideration shall be given to whether the net capital of the Company after profit distribution conforms to the provisions of the "Measures for the Administration of Risk Control Indicators of Securities Companies" (《證券公司風險控制指標管理辦法》) with respect to the risk control indicators of net capital. If any alert from risk control indicators arises due to profit distribution, the profit proportion shall be adjusted. In case of force majeure, such as wars and natural disasters, changes in the external business environment resulting in material impacts on the operation of the Company, or significant changes of the operation of the Company, the Company may change its profit distribution policy. The Board of Directors shall explain the change of profit distribution policy and give the reasons thereof by a report for consideration by independent directors before submitting to the shareholders' general meeting for approval by way of a special resolution. Online voting shall be allowed for the resolution of the change of profit distribution policy."

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

Unit: RMB

Year	Number of bonus share for every 10 shares (share)	Dividends paid for every 10 shares (inclusive of tax)	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 (%)
2018	0	0.90	0	912,353,288.13	2,887,126,757.58	31.60
2017	0	1.20	0	1,216,471,050.84	3,980,730,433.74	30.56
2016	0	1.55	0	1,571,275,107.34	5,153,546,221.82	30.49

Based on the undistributed profits of the Company amounting to RMB14,624,847,236.70 at the end of 2017, deducting the influence on the date of change of new financial instrument standards amounting to RMB487,014,836.10 and the undistributed profits from other comprehensive revenue amounting to RMB38,300, plus net profit of RMB2,814,076,638.40 achieved by the Company in 2018 and less cash dividends of RMB1,216,471,050.84 in the 2017 profit distribution plan implemented by the Company in 2018, the distributable profit of the Company for 2018 amounted to RMB15,735,399,688.16. According to the requirements of the "Company Law", the "Securities Law", the "Financial Rules for Financial Enterprises" and the Articles of Association, after setting aside the statutory reserve, the general risk reserve and the transaction risk reserve at a percentage of 10%, totalling RMB844,222,991.52, the profit available for distribution to investors for 2018 amounted to RMB14,891,176,696.64.

## SECTION V DIRECTORS' REPORT

Taking into account of the Company's long-term development and the interests of investors, the Company proposes to distribute a cash dividend of RMB912,353,288.13 (inclusive of tax) for 2018, representing 31.60% of net profit attributable to shareholders of the listed company in the consolidated statements for the year of 2018. Based on the total share capital of 10,137,258,757 shares at the end of 2018, cash dividend per 10 shares will be RMB0.90 (inclusive of tax and the actual amount distributed may be different due to rounding). In case of any changes in the total share capital of the Company on the record date by reason of placing or repurchase, the amount of cash dividend per share will be adjusted accordingly, up to a total of RMB912,353,288.13 (inclusive of tax). After the cash dividend distribution, the undistributed profits of RMB13,978,823,408.51 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 2018 profit distribution plan of the Company was passed at the 50th meeting (regular) of the third session of the Board, subject to the approval at the 2018 annual general meeting.

Following the approval of the resolution relating to the 2018 profit distribution plan at the 2018 annual general meeting, the cash dividends will be distributed within two months from the date of the 2018 annual general meeting (which will be no later than 31 August 2019). 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 2018 annual general meeting of the Company.

The Company will announce in due course the date of the 2018 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 2018 annual general meeting, during which time no transfer of shares will be registered. The Company will make separate notice on the record date for the distribution to the H Shares dividends, the date for the closure of its register of members and the date of distribution of dividends.

# SECTION V DIRECTORS' REPORT

## III. BONDS ISSUE

### (i) Bonds issue during the Reporting Period

- (1) As of 31 December 2018, the Company's non-publicly issued subordinated bonds with an aggregate principal amount of RMB21.8 billion, and such bonds were listed on the SSE. Details are set out as follows:

Subordinated bonds	Issue date	Issue price (or interest rate)	Issue number (RMB 100 million)	Listing date	Number of bonds approved for listing and trading (RMB 100 million)	Closing date
15 Galaxy 04	April 2015	5.60%	58.00	July 2015	58.00	April 2018
18 Galaxy C1	April 2018	5.20%	8.00	May 2018	8.00	April 2020
18 Galaxy C2	April 2018	5.30%	32.00	May 2018	32.00	April 2021
18 Galaxy C3	May 2018	5.38%	55.00	June 2018	55.00	May 2020
18 Galaxy C6	October 2018	4.48%	50.00	November 2018	50.00	October 2021
18 Galaxy C8	December 2018	4.28%	15.00	December 2018	15.00	December 2021

- (2) As of 31 December 2018, the Company's non-publicly issued corporate bonds with an aggregate principal amount of RMB43.54 billion, and such corporate bonds were listed on the SSE. Details are set out as follows:

Non-public issuance of corporate bonds	Issue date	Issue price (or interest rate)	Issue number (RMB 100 million)	Listing date	Number of bonds approved for listing and trading (RMB 100 million)	Closing date
16 Galaxy F1	September 2016	3.18%	35.00	October 2016	35.00	September 2018
16 Galaxy F2	October 2016	3.15%	40.00	October 2016	40.00	October 2018
17 Galaxy F1	February 2017	4.65%	25.00	March 2017	25.00	February 2019
17 Galaxy F3	March 2017	4.98%	17.60	April 2017	17.60	March 2019
17 Galaxy F4	March 2017	4.98%	25.00	April 2017	25.00	September 2019
17 Galaxy F5	April 2017	4.95%	46.30	May 2017	46.30	April 2019
17 Galaxy F6	April 2017	4.99%	47.20	May 2017	47.20	April 2020
17 Galaxy F7	August 2017	4.79%	19.30	September 2017	19.30	May 2018
17 Galaxy F8	August 2017	4.79%	18.00	September 2017	18.00	August 2018
17 Galaxy F9	October 2017	5.03%	40.00	November 2017	40.00	October 2019
17 Galaxy 10	October 2017	4.77%	10.00	November 2017	10.00	July 2018
17 Galaxy 11	December 2017	5.53%	40.00	December 2017	40.00	December 2019
18 Galaxy F1	January 2018	5.55%	35.00	January 2018	35.00	January 2020
18 Galaxy F2	January 2018	5.65%	15.00	January 2018	15.00	January 2021
18 Galaxy F3	February 2018	5.60%	12.00	March 2018	12.00	February 2020
18 Galaxy F4	February 2018	5.70%	10.00	March 2018	10.00	February 2021

## SECTION V DIRECTORS' REPORT

- (3) As of 31 December 2018, the Company's publicly issued corporate bonds with an aggregate principal amount of RMB22.0 billion in total, and such corporate bonds were listed on the SSE. Details are set out as follows:

Public issuance of corporate bonds	Issue date	Issue price (or interest rate)	Issue number (RMB 100 million)	Listing date	Number of bonds approved for listing and trading (RMB 100 million)	Closing date
14 Galaxy G1	February 2015	4.65%	15.00	March 2015	15.00	February 2018
14 Galaxy G2	February 2015	4.80%	10.00	March 2015	10.00	February 2020
16 Galaxy G1	June 2016	3.10%	49.00	June 2016	49.00	June 2019
16 Galaxy G2	June 2016	3.35%	6.00	June 2016	6.00	June 2021
14 Galaxy G3	August 2016	2.89%	15.00	June 2016	15.00	August 2019
14 Galaxy G4	August 2016	3.14%	10.00	September 2016	10.00	August 2021
17 Galaxy G1	July 2017	4.55%	50.00	July 2017	50.00	July 2020
17 Galaxy G2	September 2017	4.69%	40.00	September 2017	40.00	September 2020
18 Galaxy G1	March 2018	5.15%	25.00	March 2018	25.00	March 2021

### (ii) Bond financing activities after the Reporting Period

As of 27 March 2019, the newly issued bonds of the Company for the year of 2019 is detailed as follows:

Name	Issue size (RMB 100 million)	Use of funds	Value date	Maturity	Period	Interest rate
Non-public issuance of 2019 subordinated bonds (Tranche 1)	40	Replenish of working capital of the Company or repayment of the Company's interest-bearing debts	2019/1/30	2022/1/30	3 years	4.05%
Non-public issuance of 2019 subordinated bonds (Tranche 2)	34	Replenish of working capital of the Company or repayment of the Company's interest-bearing debts	2019/2/27	2022/2/27	3 years	4.20%
Non-public issuance of 2019 subordinated bonds (Tranche 3) (Type 1)	32	Replenish of working capital of the Company or repayment of the Company's interest-bearing debts	2019/3/11	2021/3/11	2 years	4.10%
Non-public issuance of 2019 subordinated bonds (Tranche 3) (Type 2)	34	Replenish of working capital of the Company or repayment of the Company's interest-bearing debts	2019/3/11	2022/3/11	3 years	4.25%



## SECTION V DIRECTORS' REPORT

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

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

### V. LIST OF DIRECTORS

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 Director under the PRC laws and regulations, as well as the Articles of Association.

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

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

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

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

### IX. RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

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

### X. INTERESTS AND SHORT POSITIONS HELD BY DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES 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 has interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) (i) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) which are required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or (iii) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

## SECTION 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. 27 March 2019) 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

For changes of accounting policies, please refer to "Section IV Discussion and Analysis on Operation – Analysis on the Reason and Influence of Changes in Accounting Policies". During the Reporting Period, there were no change on accounting estimation nor no correction was made to the significant accounting matters.

## SECTION V DIRECTORS' REPORT

### (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

### Holders of H Shares

Pursuant to the “Notice of the State Administration of Taxation on Issues Concerning the Levy of Individual Income Tax Following the Abolishment of the Document Numbered Guo Shui Fa [1993] No. 045” (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the dividend received by overseas resident individual shareholders from the issuance of shares in Hong Kong by domestic non-foreign invested enterprises is subject to the payment of individual income tax according to the items of “interests, dividend and bonus income”, which shall be withheld by the withholding agents according to relevant laws. The overseas resident individual shareholders who hold the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they reside and China, 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 2018, the revenue derived from the top five clients of the Company accounted for 4.84% of its revenue and other income.

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

## SECTION V DIRECTORS' REPORT

### (vii) Property and equipment

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

### (viii) Performance of social responsibilities

During the Reporting Period, the Company adhered to the business idea of complying with laws and regulations, effectively boosted the construction of enterprise culture effectively, actively undertaken its responsibilities towards the state, employees, clients and other stakeholders, while conscientiously safeguarding the rights and interests of shareholders so as to promote the coordinated and sustainable development of the Company and the society. In 2018, the Group donated a total of RMB23.6125 million to the society, of which subsidiaries and branches donated RMB1.9125 million.

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

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 optimizes social resources allocation through financial means to help enterprises reduce capacities and transform towards the direction of sustainable development and facilitate the development of green industries. The Company had no significant environmental protection problems and recorded no environmental lawsuits, significant punishment or non-economic punishment on in connection with environmental problems in 2018.

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

The Company continued to improve the ESG management indicators system in 2018. Based on environmental indicators, it improves concentrated management on the use of resources and the disposal of emissions at all levels of the Company and collects environmental data from all channels of the Company on a unified basis. It publicizes the ESG management and standardizes the environmental data management of any companies under it through trainings and consolidates the foundation for the environmental management of the Company.

In terms of standardizing green operation, the Company continues to develop front-end business system, encourages clients to conduct off-site accounts opening and trading and optimizes the back-office system, simplifies process to reduce the consumption of paper for saving effect. In 2018, about 43 tons of paper was saved. To promote office resources saving, the Company invested resources to continuously improve the lighting equipment in the office. The Company has also adopted various measures for energy saving and environmental protection, such as strengthening the recycling of old and outdated electronic equipment and deepening the reform of business vehicles use.

## SECTION V DIRECTORS' REPORT

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

- (1) In terms of employment, the Company adheres to the principles of open recruitment, fair competition, overall appraisal and recruitment of outstanding candidates. The staff employed will sign the "Employment Contract" with the Company strictly in compliance with the "Labour Contract Law". It sets clear responsibilities and obligations between the Company and its staff and completely eradicates child labours and forced labours. The headquarters of the Company has conducted campus recruitment for six consecutive years. It recruited 22 fresh graduates into the headquarters in 2018 and accepted 2 demobilized army cadres. The Company attracted 203 outstanding talents necessary for business development into the headquarters and branches through social recruitment in 2018.
- (2) The Company sticks to putting people first, cares about the health and safety of its staff and safeguards their legitimate interests creating conditions for individual growth of its staff. The Company's labour union focuses on the development of the Company and considers the willingness and demands of employees as the ultimate work objective. It cares about the difficulties of employees in life, pays attention to the exchange of ideas and communications with them and strives to be their "close friends". The Company establishes an employee representative meeting and employees actively participate in company management through the employee representative meeting to conduct employees autonomy, safeguard their own legitimate rights and promote the improvement of the democratic management system of the Company.
- (3) The Company strictly abides by national laws and regulations on personnel and strives to improve relevant systems on human resources. It has management systems on the positions and ranking system, performance appraisal and remuneration allocation applicable to the headquarters and branches. The Company actively conducts innovation in training and builds and deepens the establishment of learning organizations to provide intellectual supports to the development of the Company. The Company attaches high importance to guaranteeing the safety of business premises and the physical safety of employees. The Company also cares about the physical and mental health of employees in working and guarantees that employees can enjoy working with physical and mental pleasure.

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

The Company adheres to the new concept of development to handle correctly the material relations under development in accordance with the national financial requirements of providing services to resident investors and enterprises. The Company further intensifies financial services by improving service quality, refining product categories, expanding service channels, extending service areas, responding to customer feedback, protecting the rights and interests of investors and other aspects.

- (1) The Company re-plans the three major business systems: developing the "customer-centered" wealth management business system and the "enterprise-centered" investment and financing business system; following the principle of "seeking for improvement while maintaining stability", to explore and develop the international business system dominated by securities companies and based on the "account system".
- (2) The Company continues to deepen its unified business management and service system, organizes the resources of the Company to provide customers with all-round, one-stop and comprehensive financial services, and has built a comprehensive product supply system, integrates and shares product resources to meet the needs of customers for the allocation of various types of assets.

## SECTION V DIRECTORS' REPORT

- (3) The Company sets up a leading group and working group for handling customer complaints to coordinate and manage complaints from brokers business clients. The related departments carry out division of responsibilities. The Company also actively assumes the primary responsibility of mediating and dealing with conflicts and disputes for investors to properly deal with the special compensation work for investors.

In 2018, the satisfaction feedback of general existing clients and the satisfaction evaluation by telephone for customer satisfaction reached 96.37% and 95.24%, respectively.

- (4) The Company caters for customer needs, providing customers with various trading tools. Customers can complete a transaction through Internet, mobile terminals (including mobile phones, tablet PCs, etc.), telephone, counter and outlets trading terminals and other means. Currently, the Company is committed to improving customer experience continuously, diversifying products suitable for internet marketing, and providing the comprehensive financial services with characteristics of the Company and meeting individualized needs through the innovation in products, channels, services and marketing and the application of the Internet operating service concept. In 2018, Galaxy Securities had 716,239 clients opened their accounts online, accounting for 99.05% of the total accounts of the Company, representing an increase of 6.17% as compared with last year.
- (5) In order to provide convenient and accurate financial services in more regions and establish efficient communication channels with its stakeholders to serve more extensive customers, the Company established 23 new securities branches nationwide in 2018 with a total of 493 branches, covering 31 provinces, autonomous regions and municipalities excluding Taiwan region. The Company has constantly adjusted and optimized the branch layout. During the Reporting Period, the Company relocated 35 branches within the same city, including 3 branch offices and 32 securities branches. As of the end of 2018, the Company was the securities firm with the highest number of securities outlets in the PRC and had served 10.3768 million domestic brokerage business clients. Overseas outlets (in Hong Kong) and 41 futures business outlets have provided customers with extended services.
- (6) The Company actively responds to the state's social responsibility requirements for financial institutions, which directs the Company for transformation and development so as to effectively playing its role as a modern investment bank. Taking "serving real economies" as its starting points and ultimate goal, the Company identifies the actual financial needs from serving real economies in order to continuously improve its ability and level of serving real economies and extend 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 mastering the function positioning of securities companies as the core, the Company focuses on improving the professional capacity to guarantee safety in transactions. It strictly controls systematic risks and strengthens legal compliance operation. It strives to be a stabilizer in economic development in order to be responsible for the market and shareholders.

- (1) Enhancing communications between the Company and investors. In 2018, 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 on-site 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 learn about the Company.

## SECTION V DIRECTORS' REPORT

- (2) Conducting procurement work openly. For compliance procurement, on the basis of the establishment and improvement of the procurement management system, the Company further strengthened the standardized management on the selection and appraisal of external suppliers. The procurement management department of the Company maintains multi-level liaisons with important suppliers, strengthens the review on the qualification of shortlisted suppliers and conducts field investigations on suppliers based on the demands of programs. It refuses disqualified suppliers to enter the Company and regularly conducts appraisal on suppliers with long-term partnership in the supplier catalogue. It reassesses qualified suppliers every two years on average. In 2018, the Company revised the “Measures for the Administration of Procurement by the Headquarters of the Company” according to its actual operation and newly acquired 128 suppliers through bidding and business negotiation.
- (3) Ensuring safe system operations. The Company has implemented a safe and efficient technical structure with “three centres in two regions” and established a two-level redundant network structure covering three centres in two regions and all branches. It has also established the concentrated trading centre and the data centre on the basis to ensure the safety of trading channels and environments. The Company increased inputs and conducted the construction of firewalls, anti-virus, safety certification, penetration testing and other infrastructure on information safety, thus carrying out a risk assessment on the information system. It strengthened the safety protection against computer virus and online attacks to ensure the overall safety of the information system through various defenses. In the evaluation on the classified protection of information security in recent years, the Company has scored over 92 points in successive years.
- (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. The Company pragmatically promotes the protection of investors by improving the management of investors on appropriateness, increasing the efforts to crack down illegal fund-raising, preventing illegal securities activities, strengthening the education of small and medium-sized investors and other practical and effective measures.

On 16 January 2018, the investor education platform of the Company was upgraded as a national investor education base by the CSRC. The Company issued the Implementation Rules Regarding the Investor Education Base Management of China Galaxy Securities Co., Ltd., completed the LOGO design of the investor education base and upgraded the website platform of the base, and the investor education base officially entered the 2.0 era.

In 2018, the Company took “clarifying investment risks to protect legitimate rights and interests” as the theme of the annual investor education activities. The Company cooperated with the SSE in promoting the online collective reception day activity of listed companies and held three special events “I am a shareholder” for securities firms. The Company cooperated with the SZSE in conducting 2 “Voice of Investors” investigations and questionnaire surveys. The Company, as a co-organizer, successfully held a launching ceremony for combating unlawful activity month and a health running activity of “recognizing nature, staying away from illegal securities investment advisory” with the Securities Association of China.



## SECTION V DIRECTORS' REPORT

- (5) Legal compliance operation. Based on the requirements of the “Administrative Measures on Compliance of Securities Firms and Securities Investment Fund Management Companies” issued by the CSRC, the “Guideline for the Implementation of the Compliance Management of Securities Companies” issued by the Securities Association of China with five basic compliance management systems, namely the Articles of Association, the “Compliance Management System”, the “Compliance Code”, the “Information Fire Wall Management Measures” and the “Anti-Money Laundering and Anti-Terrorism Financing Management System”, as the core as well as other specific rules on compliance management, the Company continues to improve a multi-layered compliance management system with the Board of Directors and the Compliance and Risk Management Committee, the Board of Supervisors, senior management, compliance officer, the Legal Compliance Department, responsible persons and compliance management of units under it (referring to all departments, branches and subsidiaries) and all working staff. In 2018, the Company had no lawsuit on fraud transaction nor money laundering transaction escalating to the level of legal action.
- (6) Overall risk management. The Company has been adhered to the idea that risk management creates value. It 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 level of the Company. The risks from the operating activities of the Company mainly include market risks, credit risks, operation risks, liquidity risks, compliance risks, money laundering risks and reputation risks. With the goal of maximizing risk return, 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 attaches high importance to the honesty of its staff and highlights the fostering of professional ethics. It sets itself against embezzlement, bribery and corruption incidents. It improves anti-embezzlement, anti-bribery and anti-corruption work through early prevention, process monitoring and post review and rectification. There was no lawsuit against fraud and bribery laws in 2018.

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

27 March 2019

## SECTION VI OTHER SIGNIFICANT EVENTS

### I. MATERIAL LITIGATION AND ARBITRATION

In 2018, the Company had no additional material litigation or arbitration involving an amount of over RMB10 million and representing 10% the latest audited net assets of the Company as required to be disclosed under the SSE Listing Rules.

Of the four material litigations disclosed in the 2017 annual report of the Company, final decision has been made for one, which has been disclosed in the 2017 annual report. For the remaining three material litigations and additional litigations in 2018, the update of their status is as follows:

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

In April 2013, Sichuan Trust Co., Ltd. (“Sichuan Trust”) established a collective trust and entered into the Jixing No. 9 Directed Asset Management Contract (吉星9號定向資產管理合同) with the Company, pursuant to which the Company was entrusted to provide a loan of RMB160 million to Weihai Zhongtian Real Estate Co., Ltd. (“Weihai Zhongtian”) by way of entrusted loan and Sichuan Trust undertook to assume the risks arising from such investment. As Weihai Zhongtian failed to settle the principal and interest as agreed in the contract, on 29 December 2015, Sichuan Trust initiated a litigation against Weihai Zhongtian before Shandong Provincial Higher People’s Court, applying for ordering Weihai Zhongtian to repay the principal of and interest on the loan and pay relevant penalty and compound interest, totalling approximately RMB219 million, and suing the parties involved in the entrusted loan, either asking them to undertake guarantee liability or seek to hold them jointly and severally liable for repayment of the loan. The Company and Galaxy Jinhui, as the managers of the directed asset management scheme, were listed as the 7th and 8th defendants, respectively. Defendants, including Galaxy Jinhui, made an objection on jurisdiction. On 10 August 2018, the Supreme People’s Court made a civil ruling and transferred the case to Guangdong Shenzhen Intermediate People’s Court for trial.

On 30 December 2015, Shenzhen Bangxin Small Loan Co., Ltd. (深圳市邦信小額貸款有限公司) (hereinafter “Bangxin Small Loan”), the subscriber for second class units of the above collective trust as established by Sichuan Trust, initiated a litigation before Guangdong Shenzhen Intermediate People’s Court, applying for ordering Sichuan Trust to perform the commitment of trust asset allocation and compensate for loss within a limited period, and also applying for listing Galaxy Jinhui, the Company and the lending bank as the third party of the case, while Sichuan Trust applied for listing the subscriber for senior class units of the collective trust as the third party of the case. On 30 March 2018, Guangdong Shenzhen Intermediate People’s Court handed down its first-instance judgment and rejected all petitions of Bangxin Small Loan. On 27 July 2018, Bangxin Small Loan made an appeal at the Higher People’s Court of Guangdong Province.

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

On 19 October 2018, Shenyang Dabeiguan Street Securities Branch of the Company received a “Civil Mediation Agreement” ((2017) Qingminchu No. 47) (《民事調解書》(2017)青民初47號) issued by the Qinghai Province Higher People’s Court. As Dalian Changfu Ruihua Group Co., Ltd., the defendant, had paid a principal amount of RMB17.50 million to the Bank of Qinghai Co., Ltd.(hereinafter “Bank of Qinghai”), in accordance with the Civil Mediation Agreement and after the Court presided over mediation, the parties voluntarily reached the following agreement: Dalian Changfu Ruihua Group Co., Ltd. and Dai Wei, the defendants, shall collectively pay the interest, attorney fee and court acceptance fee in an aggregate amount of approximately RMB4.2207 million to the Bank of Qinghai; Bank of Qinghai, the plaintiff, shall no longer have any claims towards Shenyang Dabeiguan Street Securities Branch and Galaxy Investment, a third party, and there shall be no pending disputes; Bank of Qinghai, the plaintiff, shall relinquish other claim requests.

## SECTION VI OTHER SIGNIFICANT EVENTS

### 3. Arbitration filed by Taiping Fund Management Co., Ltd.

Taiping Fund Management Co., Ltd. (hereinafter “Taiping Fund”) filed an arbitration to Shanghai International Economic and Trade Arbitration Commission on 19 January 2018 and identified the Company as the counterparty. It requested the Company to repay the facility amount with a total of RMB144,670,000 under four agreed repurchase transactions and the financing interest with a total of RMB398,337.86 and calculated the compensatory and penalty interest based on a daily basis from the maturity and settlement date of the four repurchase transactions. It was found out that the counterparty conducting the bond pledge agreed repurchase transactions with Taiping Fund is 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 filed the arbitration as it failed to reach an agreement with the principal of the product on the disposal plan on the breach of contract. Currently the arbitration is still ongoing.

### 4. Arbitration filed by AXA SPDB Investment Managers Co., Ltd.

On 16 May 2018, AXA SPDB Investment Managers Co., Ltd. (浦銀安盛基金管理有限公司) (hereinafter “AXA SPDB”) 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 repurchase transactions and the financing interest with a total of RMB85,265.75 and calculated the compensatory and penalty interest based on a daily basis from the maturity and settlement date of the repurchase transactions. It was found out that the counterparty conducting the bond pledge agreed repurchase transactions with AXA SPDB is the same as the one which conducting the bond pledge agreed repurchase transactions with Taiping Fund, 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)”, 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.

### 5. Agency contract dispute between Li Tianzhen (李天陣) and the Company

On 22 August 2018, the Company received the information in respect of the commission contract dispute brought by Li Tianzhen from Beijing Second Intermediate People’s Court via post. Li Tianzhen requested the court to make a judgement on the continuous validity of his agency contract with the Company, and required the Company to pay his commissions and compensate for his loss as well as the penalties, interest and penalty interest of a total of RMB77,768,652.33 with the reasons of deleting the list of his customers by the Company without any reason. Li Tianzhen was the broker of the Company’s Securities Branch at Nanyang Road, Zhengzhou. As he failed to pass the annual broker examination for the year 2013, the Securities Association revoked Li Tianzhen’s broker license on 31 August 2013. The securities branch terminated his contract according to the practice requirements under the entrustment contract.

Beijing Second Intermediate People’s Court has made the civil ruling ((2018) Jing 02 Min Chu No. 242). As Mr. Li Tianzhen, the plaintiff, has not made the prepayment of case acceptance fee within the specified period, the Court has ruled that the case shall be treated as withdrawal of the lawsuit by the plaintiff, Mr. Li Tianzhen.

### 6. Dispute in relation to Stock Pledge Repurchase Transactions between the Company and Changchun Xiangsheng Investment Management Co., Ltd.

In August 2017, the Company entered into the “Business Agreement on Stock Pledge Repurchase Transactions” and the “Transaction Agreement on Stock Pledge Repurchase Transactions” 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 “Commitment Letter” to the Company, in which Xiangsheng Investment has undertaken that if it breaches the relevant agreements, the Company shall have the right to request Xiangsheng Investment to repurchase all the pledged stocks or to assume the liabilities for its breach of the agreements. As Xiangsheng Investment failed to fulfill its obligations as agreed, the Company initiated the arbitration against Xiangsheng Investment.

## SECTION VI OTHER SIGNIFICANT EVENTS

The Company's arbitration requests include: 1. Xiangsheng Investment shall pay outstanding repurchase transaction amount as at 12 August 2018 of RMB53,084,804.31 to the Company, and shall pay interest to the Company at an annual rate of 5.7% based on outstanding financing principal starting from 13 August 2018 to the date on which Xiangsheng Investment actually paid for the repurchase amount in full; 2. Xiangsheng Investment shall pay liquidated damages of RMB1,499,841.00 to the Company, which is calculated up to 12 August 2018 on a temporary basis, and shall pay liquidated damages to the Company at a daily rate of 0.05% based on the amount of RMB99,989,400.00 starting from 13 August 2018 to the date on which Xiangsheng Investment actually paid for the repurchase amount in full; 3. The Company shall have the right to discount the price of the 19,000,000 restricted stocks of ST Changsheng Bio-Technology (stock code: 002680) that have been pledged by Xiangsheng Investment, or shall have priority right to be repaid for items 1 and 2 above from the proceeds of the auction or sale of the pledged stocks, and in the event that the listed company of the underlying securities is delisted, the Company has the right to discount the price of equity corresponding to the number of securities of the targeted pledge, or shall have priority right to be repaid for items 1 and 2 above from the proceeds of the auction or sale of the pledged stocks; 4. Xiangsheng Investment shall pay RMB100,000 to the Company to compensate the Company's legal expenses; 5. Xiangsheng Investment shall bear the arbitration costs. The total amount of items 1 to 4 above is RMB54,684,645.31.

After the arbitration was filed, the Company also filed a lawsuit in the court of the Jilin Provincial Higher People's Court, claiming that the guarantor shall bear the joint guarantee responsibility. On 21 August 2018, the Jilin Provincial Higher People's Court rejected the Company's case regarding prosecution guarantor on the grounds that the letter of guarantee was bound by the arbitration clause, and the company appealed to the Supreme People's Court. In December 2018, the Company received a civil ruling from the Supreme People's Court, which revoked the civil ruling of the Jilin Provincial Higher People's Court, and ordered the Jilin Provincial Higher People's Court to take the case.

### **7. The trust contract disputes brought by Galaxy Yuanhui against Shanghai Dahan Real Estate Co., Ltd. and other four units and individuals**

Galaxy Yuanhui entered into the "Cooperation Agreement in relation to the Transfer of Trust Beneficiary Rights" with Shanghai Dahan Real Estate Co., Ltd. (hereinafter "Dahan Real Estate", 上海大涵置業有限公司), Shanghai Dafeng Asset Management Co., Ltd. (hereinafter "Dafeng Asset", 上海大豐資產管理有限公司), Shanghai Dafeng Investment Group Co., Ltd. (hereinafter "Dafeng Investment", 上海大豐投資集團有限公司) and Sun Jinglong (孫景龍) in relation to transfer of foreign trust beneficiary rights to Galaxy Yuanhui, pursuant to which, Dahan Real Estate, Dafeng Asset, Dafeng Investment and Sun Jinglong undertook to provide supplemental funds or provide joint liability guarantee with respect to the Type B trust beneficiary rights under the Chongqing Trust – Yuxin Zengli No. 6 Collective Fund Trust Plan (重慶信託—渝信增利6號集合資金信託計劃) ("Trust Plan") transferred to Galaxy Yuanhui. As Dahan Real Estate, Dafeng Assets, Dafeng Investment and Sun Jinglong did not fulfill their obligations as agreed, Galaxy Yuanhui filed a lawsuit with the court and requested the court to make a judgement: 1. the four defendants pay the transfer fee of RMB218,069,052.05 to the plaintiff; 2. the four defendants pay to Galaxy Yuanhui the interest based on RMB218,069,052.05 at PBOC loan interest rate starting from the date of prosecution to the date of actual payment; 3. the litigation fee and preservation fee of the case were borne by the four defendants. In addition, Galaxy Yuanhui has applied to the court for pre-litigation property preservation, and for freezing the bank deposit of RMB218,069,052.05 of the four defendants, or seizure other equivalent assets.

## SECTION VI OTHER SIGNIFICANT EVENTS

On 10 December 2018, Galaxy Yuanhui received the Civil Mediation Agreement from the Shanghai Financial Court ((2018) Shanghai 74 Min Chu. No.81) (《民事調解書》((2018)滬74民初81號)). The Shanghai Financial Court confirmed the following agreements voluntarily reached by the parties: 1. The defendant, Dahan Real Estate, shall pay the transfer fee of trust beneficiary right amounting to RMB226,758,093.15 to the designated account of Galaxy Yuanhui before 11 December 2018; 2. The defendants, Dafeng Assets, Dafeng Investment and Sun Jinglong shall pay legal fee and a letter of guarantee totalling RMB800,000 to the designated account of Galaxy Yuanhui before 31 December 2018; 3. The litigation fee and property preservation fee arising from this case shall be jointly borne by the defendants, Dafeng Assets, Dafeng Investment and Sun Jinglong, and paid by them to the designated account of Galaxy Yuanhui before 11 December 2018; 4. If the defendant, Dahan Real Estate, fails to pay the above amount in full and on time for the first item, the defendants, Dahan Real Estate, Dafeng Assets, Dafeng Investment and Sun Jinglong, shall jointly pay the sum as well as the liquidated damages to Galaxy Yuanhui; 5. If the defendants, Dafeng Assets, Dafeng Investment and Sun Jinglong, fail to pay the above amount in full and on time for the second item, the defendants, Dahan Real Estate, Dafeng Assets, Dafeng Investment and Sun Jinglong, shall jointly pay the sum as well as the liquidated damages to Galaxy Yuanhui. Galaxy Yuanhui has received the above payments for item 1 and item 3.

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

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

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

## SECTION VI OTHER SIGNIFICANT EVENTS

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

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

### IV. MATERIAL CONNECTED TRANSACTIONS

The major daily connected transactions of the Company are as follows: For related party transactions as defined by the relevant accounting standards during the Reporting Period, please refer to "Related Party Transactions" under Note 57 of Section XI Consolidated Financial Statements for details. Of these related party transactions, the transactions between the Company and Galaxy Financial Holdings and its subsidiaries (Note 57(a)(1)) constituted continuing connected transactions under Chapter 14A of the Stock Exchange Listing Rules (please 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" of the Company. The Group's connected transactions are conducted based on the principles of impartiality, openness and fairness, and the connected transaction agreements are entered into based on the principles of equality, voluntariness, equivalence and compensation. During the Reporting Period, the Group conducted the following non-exempt connected transactions in accordance with the Stock Exchange Listing Rules:

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

On 2 May 2013, the Company entered into the "Securities and Financial Services Framework Agreement" with Galaxy Financial Holdings, pursuant to which the 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" ("Supplemental 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" ("Second Supplemental Agreement"), whereby the term of the Framework Agreement was 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.

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

## 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 (as renewed by the Second Supplemental 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 applicable percentage ratios under the Stock Exchange Listing Rules in respect of the annual caps are more than 0.1% but less than 5%, the transactions are subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval 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 10 thousand

	Annual cap for 2018	Actual transaction amount for 2018
<b>Revenue</b>		
Securities brokerage services		1,078
Sales agency services		3,219
Leasing of exchange trading units		1,807
Other related securities and financial services		425
<b>Total</b>	64,000	6,529
<b>Expenses</b>		
Interest expenses		214
<b>Total</b>	8,000	214

Notes:

1. The Ministry of Finance has increased the capital of Galaxy Financial Holdings with its 100% equity interest in Galaxy Investment. Galaxy Financial Holdings completed the registration of industrial and commercial registration of this capital increase on 6 February 2018. Procedures, therefore, the transaction between the Company and Galaxy Investment has been included in the statistical scope of continuing connected transactions since February 2018.
2. Income from securities brokerage services is the income received from Galaxy Financial Holdings, Galaxy Investment and Galaxy Capital Assets Management Co., Ltd. for securities brokerage business;
3. Income from sales agency services is the income received from Galaxy Fund Management, Galaxy Investment and Galaxy Capital Assets Management Co., Ltd. for agency sale of financial products;
4. 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;
5. Income from other related securities and financial services is the targeted asset management income, management fee, performance compensation received, etc from Galaxy Investment and Galaxy Capital Assets Management Co., Ltd.;
6. Interest expense is the interest expense for deposits payable to Galaxy Financial Holdings, Galaxy Investment, Galaxy Fund Management and Galaxy Capital Assets Management Co., Ltd..

## 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 provide securities and financial products transactions services to 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 Chinese interbank bond market, the China exchange market or the open fund market) shall be 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 (ie, 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.

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

As the applicable percentage ratios as set out in the Stock Exchange Listing Rules represented by the annual caps of the continuing connected transactions are more than 5%, the Company is subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under the Stock Exchange Listing Rules.

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

Unit: RMB in 10 thousand

Project	Annual cap for 2018	Actual transaction amount for 2018
<b>Total cash inflow of the Group from Galaxy Financial Holdings Group</b>		
1. Cash inflow from fixed income products	7,500,000	343,887
2. Cash inflow from fixed income related derivative products		343,887
3. Cash inflow from equity related products		–
4. Cash inflow from other related businesses and management transactions		–
<b>Total cash outflow of the Group to Galaxy Financial Holdings Group</b>		
1. Cash outflow from fixed income products	7,000,000	351,695
2. Cash outflow from fixed income related derivative products		351,695
3. Cash outflow from equity related products		–
4. Cash outflow from other related businesses and management transactions		–
<b>Maximum daily balance (including interest payable) of the financing provided by Galaxy Financial Holdings Group to the Group through pledge repurchase transactions</b>		
	1,050,000	–



## SECTION VI OTHER SIGNIFICANT EVENTS

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

As the Ministry of Finance of the PRC made a capital injection to Galaxy Financial Holdings with its 100% equity interest in Galaxy Investment, Galaxy Investment became a wholly-owned subsidiary of Galaxy Financial Holdings in February 2018. Following the completion of the capital injection, Galaxy Investment became an associate of Galaxy Financial Holdings and therefore a connected person of the Company. Before Galaxy Investment became a connected person of the Company, the Group entered into seven lease contracts with Galaxy Investment, pursuant to which the Group (as lessee) rented several properties and parking spaces from Galaxy Investment (as lessor). After Galaxy Investment became a connected person of the Company, such continuing transactions constitute continuing connected transactions of the Company under the Stock Exchange Listing Rules. Since the date on which Galaxy Investment became an associate of the Company and up to the end of the Reporting Period, the rent paid by the Group to Galaxy Investment amounted to RMB115.69 million.

The independent non-executive Directors have reviewed the above (i) to (iii) continuing connected transactions and have confirmed that such continuing connected transactions:

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

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

In respect of the disclosed continuing connected transactions:

- a. nothing has come to our attention that causes us to believe that the transactions have not been approved by the Company's Board of Directors.
- b. for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.
- c. nothing has come to our attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- d. with respect to the aggregate amount of the continuing connected transactions, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate value for the entire year of 2018 disclosed in the relevant announcements made by the Company in respect of the disclosed continuing connected transactions.

## SECTION VI OTHER SIGNIFICANT EVENTS

### (iv) Acquisition of 12% Equity Interest in Galaxy Derivatives

Galaxy Futures has won the bid for the 12% equity interest in Galaxy Derivatives at a total consideration of RMB66,673,000 through the public listing-for-sale process organized by the Beijing Financial Assets Exchange. On 16 August 2018, Galaxy Futures and Galaxy Financial Holdings entered into the Equity Transfer Agreement in respect of the transaction. Before such transaction, Galaxy Derivatives is held as to 88% by Galaxy Futures and 12% by Galaxy Financial Holdings, and is therefore a non-wholly owned subsidiary of Galaxy Futures. The registration of the change of particulars with the authority for industrial and commercial administration for such transaction has completed on 15 November 2018. Upon the completion of such transaction, Galaxy Derivatives have become a wholly-owned subsidiary of Galaxy Futures. The above transaction constitutes a one-off connected transaction of the Company under the Listing Rules.

For the above connected transactions, the Company confirmed that it has complied with the requirements of Chapter 14A of the Stock Exchange Listing Rules. For the above-mentioned continuing connected transactions, the Company has followed the pricing policies and guidelines set when entering into the transaction during the Reporting Period.

## V. CONTRACTS OF SIGNIFICANCE AND THEIR PERFORMANCE

### (i) Rental Issue

Lessor	Lessee	Information on rental asset	Amount involved of rental asset (RMB)	Starting date of rental	Ending date of rental	Rental income	Recognition basis of rental income	Connect transaction
Galaxy Investment	The Group	International Enterprise Building, Financial Street, Beijing	378,617,556.70	1 January 2017	31 December 2019	Not applicable	Property lease contract	Yes
TravelSky Technology Limited	The Group	Plant	95,547,901.40	30 April 2014	31 March 2019	Not applicable	Property lease contract	No
China United Network Communications Group Co., Ltd.	The Group	Property	53,763,075.06	1 November 2015	31 October 2020	Not applicable	Property lease contract	No

Note:

During the Reporting Period, the Group and Galaxy Investment entered into a property lease contract, under which the rent for 2018 was RMB125.1668 million. The Group and TravelSky Technology Limited entered into a co-operation agreement (plant lease), under which the rent for 2018 was RMB19.1096 million. The Group and China Unicom entered into a property lease contract, under which the rent for 2018 was RMB11.1234 million. The above-mentioned contract amounts shall be paid on a quarterly or monthly basis.

Save for the above, during the Reporting Period, the Company had not engaged in any material lease (with an amount of over RMB10 million) and no such matters were carried forward to the Reporting Period from the previous period.

## SECTION VI OTHER SIGNIFICANT EVENTS

### (ii) Guarantees

- (1) In August 2016 and August 2017, the Company provided a net capital guarantee of RMB1 billion and RMB2 billion, respectively, to Galaxy Jinhui, a subsidiary of the Company, to meet its business development needs.
- (2) On 22 June 2017, the “Resolution on Increase of Net Capital Guarantee Provided to Galaxy Jinhui” was considered and approved at the 2016 annual general meeting of the Company and the Company agreed to further provide a net capital guarantee of RMB3 billion to Galaxy Jinhui to meet its business development needs. As of 31 December 2018, the guarantee has not been performed.
- (3) On 18 July 2018, the “Resolution on the Review of the Provision of Loan Guarantee by Galaxy International Holdings to CGS-CIMB Securities and its Subsidiaries” was considered and approved at the fortieth meeting (extraordinary) of the third session of the Board of the Company. In order to obtain the unsecured loan limits provided by Malayan Banking Berhad, United Overseas Bank and Standard Chartered Bank respectively, Galaxy International Holdings has agreed to provide loan guarantees to CGS-CIMB Securities and its subsidiaries. The guarantee amounted to HK\$776,603,900 in aggregate (equivalent to RMB633,553,500). As of 31 December 2018, the guarantee has not been performed.

### (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; and the Company entered into a software purchase contract of RMB24.20 million with Beijing Com&Lan System Tech. Corp., Ltd. (北京昆侖聯通科技發展股份有限公司) on 29 September 2017 and such contract is still being performed. Save for the above, during the Reporting Period, the Company had not engaged in any material purchases (with an amount of over RMB10 million) and no such matters were carried forward to the Reporting Period from the previous period.

## VI. OTHER MATERIAL ISSUE

### (1) Changes in the qualifications of individual businesses during the Reporting Period

1. On 14 December 2018, the Company obtained the “Eligibility of Commodity Exchange Business Dealer” of Dalian Commodity Exchange (“Notice of Dalian Commodity Exchange on Approving the First Batch of Commodity Swap Dealers” (Dalian Commodity Exchange issued [2018] No. 494)).
2. On 26 November 2018, the Company obtained the qualification of “Shangzheng 10-year local government bond transaction type open-ended index securities investment fund liquidity service provider” of the Shanghai Stock Exchange (“SSE 10-year local government bond transaction type open index securities investment” Announcement of Fund Liquidity Service Providers (SSE Announcement (Fund) [2018] No. 119)).
3. On 21 November 2018, the Company obtained the “non-equity income swap business qualification” of the China Securities Industry Association’s CSI inter-agency quotation system.
4. On 11 October 2018, the Company obtained the “Cross-Border Business Pilot Qualification” approved by the Securities and Fund Institutions Regulatory Department of the China Securities Regulatory Commission (Response to the relevant cross-border business activities of Galaxy Securities pilot (Institutional Department Letter [2018] No. 2356)).
5. On 8 October 2018, the Company obtained the “Quality of Crude Oil Futures Business” on the Shanghai Futures Exchange.

## SECTION VI OTHER SIGNIFICANT EVENTS

### (2) Acquisition, merger or division during the Reporting Period

Save for the below matters, the Company and its subsidiaries had no acquisitions, mergers or divisions during the Reporting Period.

On 6 June 2017, Galaxy International Holdings and CIMB Group entered into a sale and purchase agreement to acquire 50% of the ordinary shares of the issued share capital of Galaxy-CIMB Securities. On 18 January 2018, Galaxy International Holdings and CIMB Group have agreed in writing to amend certain terms of the Sale and Purchase Agreement. All the conditions precedent to the completion of the Transaction have been fulfilled or waived by the parties and the sale and purchase agreement. The initial consideration for the transaction was S\$150,268,429 and the payment was completed on 18 January 2018. Upon completion of the transaction, Galaxy International Holdings and CIMB Group respectively hold 50% of the issued share capital of Galaxy-CIMB Securities. The Company's overseas business platform extends to seven countries in addition to Hong Kong, including Singapore, Indonesia, Thailand, India, South Korea, the United States and the United Kingdom.

On 18 December 2018, Galaxy International Holdings, CIMB Group and CGS-CIMB Holdings, a wholly-owned subsidiary of CIMB Group entered into a share subscription agreement, pursuant to which CGS-CIMB Holdings agreed to issue 600,000 shares and 545,000 shares to Galaxy International Holdings and CIMB Group respectively. Therefore, after the completion of the transaction, Galaxy International Holdings and CIMB Group will each hold 50% of the issued share capital of CGS-CIMB Holdings. CGS-CIMB Holdings will operate as a joint venture to facilitate the trading of cash stocks, research and related securities businesses in Malaysia.

### (3) Capital increase to subsidiaries

In 2018, none of the subsidiaries of the Company increased its registered capital.

On 26 February 2019, the "Proposal on Considering the Capital Increase of Galaxy Yuanhui Investment Co., Ltd." was reviewed and adopted at the 48th meeting of the third session of the Board of the Company, approving that the registered capital of Galaxy Yuanhui would be increased from RMB1.5 billion to RMB3 billion according to the Company's five-year development strategy plan as well as business development needs; the "Proposal on Considering the Capital Increase of Galaxy Capital Management Company Limited" was also reviewed and adopted at such meeting, approving that the registered capital of Galaxy Capital would be increased from RMB1 billion to RMB1.5 billion according to business development needs of the Company.

### (4) Administrative supervision measures and related matters faced by the Company and its branches during the Reporting Period

During the Reporting Period, the Company continued to improve its timeliness, appropriateness and effectiveness of risk event management, and further improved the Company's related systems and business processes to prevent compliance risks. Details are as follows:

1. Putian Licheng Road Branch was punished by the Industrial and Commercial Administration Bureau of the Chengxiang District of Putian City (莆田市城廂區工商行政管理局) for not containing the risk disclosure in the advertisement of the sale of wealth management products

On 28 June 2018, the Industrial and Commercial Administration Bureau of the Chengxiang District of Putian City imposed the "Administrative Punishment of the Industrial and Commercial Administration Bureau of the Chengxiang District of Putian City (《莆田市城廂區工商行政管理局行政處罰決定書》)" to Putian Licheng Road Branch, which ordered Putian Licheng Road Branch of the Company to stop publishing advertisements and to eliminate the impacts within the relevant scopes, with a fine of RMB5,000 imposed. Putian Licheng Road Branch has immediately stopped publishing the advertisements and removed the promotional materials related to bank wealth management products shown on the LED screen, and has submitted a specialized report to the Company. The Brokerage Headquarters of the Company has issued a notice to organize all branches to conduct comprehensive inspection regarding to the promotion of relevant wealth management products and immediately rectify existing problems so as to prevent the re-occurrence of similar problems.

## SECTION VI OTHER SIGNIFICANT EVENTS

2. The Company was punished by the People's Bank of China for its failure to perform customer identification obligations in accordance with requirements and its decision on conducting transactions with unidentified customers

From September to October 2017, the Company was under inspection regarding the anti-money laundering by the Anti-Money Laundering Bureau of the People's Bank of China. On 27 July 2018, the Company received the Administrative Penalty Decision (Yin Fan Xi Fa Jue Zi [2018] No. 4) issued by the Anti-Money Laundering Bureau of the People's Bank of China and the Company was fined by the People's Bank of China RMB500,000 for its failure to perform its obligation to identify customers as required and RMB500,000 for dealing with unidentified customers, totaling RMB1,000,000. During the period of investigation, the Company immediately conducted investigation and correction and developed the Proposal for Rectification for Anti-Money Laundering Issues Identified by the People's Bank of China in On-Site Inspection, which was considered and passed at the 40th meeting of the third session of the Board, in accordance with the requirements of the Legal Inspection Opinions of the People's Bank of China. To date, the Company has further improved its anti-money laundering system, refined workflow including customer identification, customer money laundering risk level management and suspicious transaction recording, strengthened anti-money laundering inspection and assessment and continuous identification of existing customers, and further improved the relevant functions of the anti-money laundering system. The Company will continue to improve internal control compliance management and conduct effective anti-money laundering.

3. Beijing Zhongguancun Avenue Branch of the Company received a notice on administrative regulatory measures as a warning letter from the Beijing Regulatory Bureau

On 5 November 2018, the Beijing Securities Regulatory Bureau issued the "Decision on the Issuance of Warning Letter to Beijing Zhongguancun Avenue Branch of China Galaxy Securities Co., Ltd." ([2018] No. 84). As for employees working at Bureau who violated the rules to print the customer statements for others, Bureau was reminded to properly keep the customer's files and information, and to further fulfill the accountability of the responsible personnel. Regarding this regulatory measure, the Company has formulated and adopted rectification measures such as accountability treatment for relevant responsible personnel, internally informing the employees of the warning cases within the Company, further handling of customer complaints at the Branch, and strengthening the standardized operation of counter personnel.

4. Ningbo Branch was punished by the People's Bank of China Ningbo Branch for its failure to perform customer identification obligations in accordance with requirements

From September to October 2017, the People's Bank of China Ningbo Branch conducted inspection regarding the anti-money laundering on Ningbo Branch in accordance with the requirements of the Anti-Money Laundering Bureau of the People's Bank of China. On 16 November 2018, the Company received the Administrative Penalty Decision of the People's Bank of China issued by the People's Bank of China Ningbo Branch and Ningbo Branch was fined by the People's Bank of China RMB350,000 for its failure to perform its obligation to identify customers as required. During the period of investigation, Ningbo Branch immediately conducted investigation and correction, further improved its internal control system for anti-money laundering, strengthened anti-money laundering performance appraisal and internal management, re-identified the customers who had not been identified as required, adopted relevant restrictions, and strengthened the manual review in suspicious transaction reporting. Ningbo Branch has submitted a rectification report to the People's Bank of China Ningbo Branch and the rectification work was completed in the first half of 2018.

## SECTION VI OTHER SIGNIFICANT EVENTS

5. Ganzhou Dengfeng Avenue Branch was punished by the People's Bank of China Ningbo Branch regarding customer identification, customer identification data, transaction record keeping and suspicious transaction reporting

From 15 August to 6 September 2018, the People's Bank of China Ganzhou Branch conducted inspection regarding the anti-money laundering on Ganzhou Dengfeng Avenue Branch. On 17 December 2018, Ganzhou Dengfeng Avenue Branch received the Administrative Penalty Decision (Gan Shi Yin Fa Zi [2018] No. 6) issued by the People's Bank of China Ganzhou Branch and Ganzhou Branch was fined by the People's Bank of China RMB200,000 for its mistakes related to identifying customers. After investigation, Ganzhou Branch immediately conducted investigation and correction, further improved its internal control system for anti-money laundering, strengthened anti-money laundering performance appraisal and internal management, re-identified the customers, strengthened the manual review in suspicious transaction reporting and submitted a rectification report to the People's Bank of China Ganzhou Branch.

## VII. IMPORTANT ISSUES AFTER THE PERIOD

### (I) Relevant litigation matters after the period

#### (1) The financing and securities trading dispute case between the Company and Ge Hongtao

Ge Hongtao conducted margin financing and securities lending transactions through 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 the defendant's credit account in accordance with the relevant agreement of the "Margin Financing 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 the defendant to repay the financing principal, and to pay the financing interest, penalty interest (calculation up to 22 January 2019), and to bear the case acceptance fee with a total of RMB51,210,928.05. The case is still in the process of litigation of the People's Court of Xicheng District, Beijing.

#### (2) The financing and securities trading dispute case between the Company and Xu Guodong

Xu Guodong conducted margin financing and securities lending transactions through relevant services provided by the Company. Since Xu Guodong's credit account maintenance guarantee ratio was lower than 130%, and the collateral was not added in full within the agreed time limit, the Company imposed mandatory liquidation measures on the defendant's credit account according to the relevant agreement of the "financing and securities lending 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 the defendant to repay the financing principal and pay the financing interest and penalty interest with the total amount of RMB65,458,830.17 as of 9 January 2019, and to bear the case acceptance fee. The case is still in the process of litigation of the Second Intermediate People's Court of Beijing.

At present, the Company's various business operations are as normal. The above matters have no significant impact on the Company's business operations, financial status and solvency.

## SECTION VI OTHER SIGNIFICANT EVENTS

### (II) Guarantee issues after the period

On 26 February 2019, the “Resolution on the Review of the Authorization of Provision of Bank Loan Guarantee by Galaxy International Holdings to CGS-CIMB Securities” was considered and approved at the forty-eighth meeting (extraordinary) of the third session of the Board of the Company and the Company has agreed that Galaxy International Holdings will provide a loan guarantee of not more than RMB3.5 billion to CGS-CIMB Securities according to business development needs in the next three years,

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

Among the classification and appraisal of securities companies by the CSRC, the Company was rated as Level A, Class A in 2016 and Level AA, Class A in 2017 and in 2018.

## 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. CHANGE IN MORATORIUM SHARES

Unit: Share(s)

Name of shareholder	Number of moratorium shares as at the beginning of the Reporting Period	Number of moratorium shares released during the Reporting Period	Increase in moratorium shares during the Reporting Period	Number of moratorium shares as at the End of the Reporting Period	Reason for moratorium	Date of release from moratorium
China Galaxy Financial Holdings Limited	5,160,610,864	–	–	5,160,610,864	Moratorium of IPO for A Shares	23 January 2020
PICC Property and Causality Company Limited	114,381,147	114,381,147	–	–	Moratorium of IPO for A Shares	23 January 2018
China Resources Co., Ltd.	38,379,809	38,379,809	–	–	Moratorium of IPO for A Shares	23 January 2018
Zhongshan Zhonghui Investment Group Company Limited	19,241,213	19,241,213	–	–	Moratorium of IPO for A Shares	23 January 2018
Shenzhen State-Owned Dutyfree Commodity (Group) Co., Ltd.	13,468,849	13,468,849	–	–	Moratorium of IPO for A Shares	23 January 2018
Dalian Port Corporation Limited	11,544,728	11,544,728	–	–	Moratorium of IPO for A Shares	23 January 2018
Jiaying Highway Investment Co., Ltd.	11,497,828	11,497,828	–	–	Moratorium of IPO for A Shares	23 January 2018
Chuanhua Group Limited	9,620,607	9,620,607	–	–	Moratorium of IPO for A Shares	23 January 2018
Wuhan Research Institute of Posts and Telecommunications	9,620,607	9,620,607	–	–	Moratorium of IPO for A Shares	23 January 2018
China Taiping Insurance Group Limited	7,696,485	7,696,485	–	–	Moratorium of IPO for A Shares	23 January 2018
Shanghai Western Enterprises (Group) Co., Ltd	5,772,364	5,772,364	–	–	Moratorium of IPO for A Shares	23 January 2018
Han River Water Conservancy and Hydropower (Group) Co., Ltd.	5,772,364	5,772,364	–	–	Moratorium of IPO for A Shares	23 January 2018
China Space Sanjiang Group Corporation	5,772,364	5,772,364	–	–	Moratorium of IPO for A Shares	23 January 2018
Chongqing Jianfeng Industrial Group Co., Ltd.	2,457,825	2,457,825	–	–	Moratorium of IPO for A Shares	23 January 2018
Shougang Corporation 1	1,924,121	1,924,121	–	–	Moratorium of IPO for A Shares	23 January 2018
Chongqing Water Group Co., Ltd	1,945,423	1,945,423	–	–	Moratorium of IPO for A Shares	23 January 2018
Shaanxi State Grid Corporation of China	1,202,576	1,202,576	–	–	Moratorium of IPO for A Shares	23 January 2018
Shanghai Rural Commercial Bank Co., Ltd.	110,000,000	110,000,000	–	–	Moratorium of IPO for A Shares	23 January 2018
Bank of Lanzhou Co., Ltd	90,514,398	90,514,398	–	–	Moratorium of IPO for A Shares	23 January 2018



## SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Name of shareholder	Number of moratorium shares as at the beginning of the Reporting Period	Number of moratorium shares released during the Reporting Period	Increase in moratorium shares during the Reporting Period	Number of moratorium shares as at the End of the Reporting Period	Reason for moratorium	Date of release from moratorium
Shanghai CILC Electric Technology Co., Ltd.	60,000,000	60,000,000	-	-	Moratorium of IPO for A Shares	23 January 2018
Joincare Pharmaceutical Industry Group Co., Ltd	28,983,000	28,983,000	-	-	Moratorium of IPO for A Shares	23 January 2018
Wang Jianguo	12,080,000	12,080,000	-	-	Moratorium of IPO for A Shares	23 January 2018
Shanghai Yinrun Holding (Group) Co., Ltd.	11,250,000	11,250,000	-	-	Moratorium of IPO for A Shares	23 January 2018
Shanghai Huashi Asset Management Co., Ltd.	10,000,000	10,000,000	-	-	Moratorium of IPO for A Shares	23 January 2018
Shenzhen Junsheng Cci Capital Ltd.	7,200,000	7,200,000	-	-	Moratorium of IPO for A Shares	23 January 2018
Yantai Changyu Pioneer Wine Company Limited	6,000,000	6,000,000	-	-	Moratorium of IPO for A Shares	23 January 2018
Wang Jiansheng	5,000,000	5,000,000	-	-	Moratorium of IPO for A Shares	23 January 2018
Anhui Haide Machine Manufacturing Co., Ltd.	4,375,000	4,375,000	-	-	Moratorium of IPO for A Shares	23 January 2018
Guo Wei	4,000,000	4,000,000	-	-	Moratorium of IPO for A Shares	23 January 2018
Lianhua E-Business Co., Ltd.	4,000,000	4,000,000	-	-	Moratorium of IPO for A Shares	23 January 2018
Qitian Holding Company Limited	3,530,000	3,530,000	-	-	Moratorium of IPO for A Shares	23 January 2018
Chongqing Rural Commercial Bank Co., Ltd.	2,222,560	2,222,560	-	-	Moratorium of IPO for A Shares	23 January 2018
Anhui Garments Import & Export Co., Ltd.	2,120,125	2,120,125	-	-	Moratorium of IPO for A Shares	23 January 2018
Lianyungang AEON Glass Co., Ltd.	2,000,000	2,000,000	-	-	Moratorium of IPO for A Shares	23 January 2018
Zaoyang Kainang Trading Co., Ltd (襄陽市凱能經貿有限公司)	1,363,600	1,363,600	-	-	Moratorium of IPO for A Shares	23 January 2018
China National Building Material Company Limited	1,000,000	1,000,000	-	-	Moratorium of IPO for A Shares	23 January 2018
Shanghai Kaiyi Investment Co., Ltd. (上海凱壹投資有限公司)	1,000,000	1,000,000	-	-	Moratorium of IPO for A Shares	23 January 2018
Account No. 1 of National Council for Social Security Fund	58,726,267	(1,593,891)	-	57,132,376	Moratorium of IPO for A Shares	23 January 2020
Total	5,846,274,124	628,530,884		5,217,743,240	/	/

## SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

### III. INFORMATION OF SHAREHOLDERS

#### (i) Total number of shareholders

Total number of holders of ordinary shares as at the End of the Reporting Period (account)	102,438
Total number of holders of ordinary shares as at the end of the previous month before the date of disclosure of annual report (account)	102,992
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 include the number of holders of A ordinary shares and registered holders of H Shares. As at the End of the Reporting Period, 101,680 accounts are holders of A Shares and 785 accounts are registered holders of H Shares. As at the end of the previous month before the date of disclosure of annual report, 102,237 accounts are holders of A Shares and 755 accounts are registered holders of H Shares.

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

##### Shareholdings of the top 10 shareholders

Unit: Share(s)

Name of shareholders (Full name)	Increase or decrease during Reporting Period	Number of Shares held as at the End of Reporting Period	Percentage (%)	Number of Shares subject to trading moratorium held	Pledged or frozen Status of shares	Number of shares held	Nature of shareholders
China Galaxy Financial Holdings Limited	+25,927,500	5,186,538,364	51.16	5,160,610,864	Nil	0	State-owned legal person
HKSCC Nominees Limited	-316,520	3,688,165,096	36.38	0	Nil	0	Overseas legal person
PICC Property and Causality Company Limited	0	114,381,147	1.13	0	Nil	0	State-owned legal person
Bank of Lanzhou Co., Ltd	0	90,514,398	0.89	0	Nil	0	Domestic non-state-owned legal person
China Securities Finance Corporation Limited	+55,760,370	84,078,210	0.83	0	Nil	0	State-owned legal person
Shanghai Rural Commercial Bank Co., Ltd.	-30,971,842	79,028,158	0.78	0	Nil	0	Domestic non-state-owned legal person
Account No. 1 of National Council for Social Security Fund	0	58,726,267	0.58	57,132,376	Nil	0	State-owned legal person
China Resources Co., Ltd.	0	38,379,809	0.38	0	Nil	0	State-owned legal person
Joincare Pharmaceutical Industry Group Co., Ltd	0	28,983,000	0.29	0	Nil	0	Domestic non-state-owned legal person
Zhongshan Zhonghui Investment Group Company Limited	0	19,241,213	0.28	0	Nil	0	State-owned legal person

Note: HKSCC Nominees Limited held the H shares on behalf of a number of customers.

## SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

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

Name of shareholders	Number of shares not subject to trading restriction held	Type and number of shares held	
		Type	Number
HKSCC Nominees Limited	3,688,165,096	H Shares	3,688,165,096
PICC Property and Causality Company Limited	114,381,147	A Shares	114,381,147
Bank of Lanzhou Co., Ltd	90,514,398	A Shares	90,514,398
China Securities Finance Corporation Limited	84,078,210	A Shares	84,078,210
Shanghai Rural Commercial Bank Co., Ltd.	79,028,158	A Shares	79,028,158
China Resources Co., Ltd.	38,379,809	A Shares	38,379,809
Joincare Pharmaceutical Industry Group Co., Ltd	28,983,000	A Shares	28,983,000
Zhongshan Zhonghui Investment Group Company Limited	19,241,213	A Shares	19,241,213
Hong Kong Securities Clearing Company Limited	14,217,746	A Shares	14,217,746
Shenzhen State-Owned Dutyfree Commodity (Group) Co., Ltd.	13,468,849	A Shares	13,468,849

Details of the connected relationship amongst, or concerted actions between, the above shareholders

The Company is not aware of any relationship between among shareholders/whether such shareholders are parties to any concerted action. 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

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

Unit: share(s)

No.	Name of shareholders subject to trading moratorium	Number of shares held subject to trading moratorium	Listing and trading of shares subject to trading moratorium		Conditions of trading moratorium
			Date of being permitted for listing and trading	Number of shares to be listed and traded	
1	China Galaxy Financial Holdings Limited	5,160,610,864	23 January 2020	0	Moratorium of IPO for A Shares
2	Account No. 1 of National Council for Social Security Fund	57,132,376	23 January 2020	1,593,891	Moratorium of IPO for A Shares
	Details of the connected relationship amongst, or concerted actions between, the above shareholders	Nil			

## SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

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

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

Name of substantial shareholders	Class of shares	Nature of interest	Number of shares held (Note 1)	Percentage of the total number of issued shares of the Company (%)	Percentage of the total number of issued A Shares/H Shares of the Company (%)	Long positions/short positions/shares available for lending
Huijin (Note 2)	A Shares	Interests of controlled corporation	5,160,610,864	50.91	80.06	Long position
	H Shares	Interests of controlled corporation	26,585,500	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
	H Shares	Interests of controlled corporation	658,000	0.01	0.02	Long position
Wenze International Investment Limited (Notes 3 and 4)	H Shares	Beneficial owner	219,524,000	2.17	5.95	Long position
Wang Yili (Note 3)	H Shares	Interests of controlled corporation	219,524,000	2.17	5.95	Long position
Yan Yuqing (Note 4)	H Shares	Interests of controlled corporation	219,524,000	2.17	5.95	Long position
BlackRock, Inc. (Note 5)	H Shares	Interests of controlled corporation	214,698,066	2.12	5.82	Long position
	H Shares	Interests of controlled corporation	43,775,092	0.43	1.19	Short position

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

Note 2: Huijin directly held approximately 69.07% equity interest in Galaxy Financial Holdings and is therefore deemed to be interested in 5,160,610,864 A Shares and 26,585,500 H Shares directly held by Galaxy Financial Holdings. Galaxy Financial Holdings directly held approximately 62.69% equity interest in Galaxy Insurance Brokerage (Beijing) Company Limited (銀河保險經紀(北京)有限責任公司) and is therefore deemed to be interested in 658,000 H Shares directly held by Galaxy Insurance Brokerage (Beijing) Company Limited.

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

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

Note 5: BlackRock, Inc. holds 214,698,066 H Shares in long position and 43,775,092 H Shares in short position through various entities under its control. In addition, 17,065,092 H Shares in short position involve derivatives, of which the category is: unlisted derivatives – cash settled.

Save as disclosed above, as at the End of the Reporting Period, the Company was not aware of any other person (other than Directors, Supervisors and chief executives of the Company) who held interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

# SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

## IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

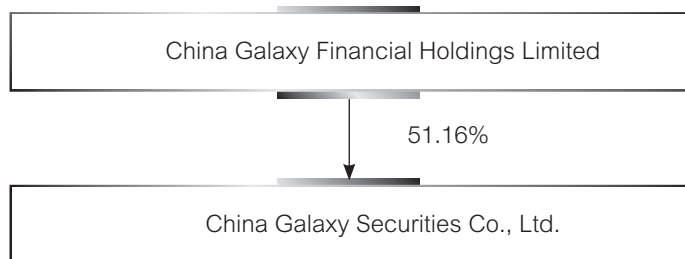
### (i) Controlling Shareholder

#### 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

Note: On 19 November 2018, Galaxy Financial Holdings completed the industrial and commercial registration of changes and its legal representative was changed from Chen Gongyan to Li Mei.

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



#### 3. Increase in shareholdings by controlling shareholder

On 13 August 2018, Galaxy Financial Holdings increased its H Shares held in the Company through the Southbound Trading under the Stock Connect Program and committed to, in its name, further increase its shareholding in H Shares of the Company through the Southbound Trading under the Stock Connect Program in the coming 12 months, with the accumulated increase in shareholding not exceeding 3% of the total issued shares of the Company. According to the statistics, as at 31 December 2018, Galaxy Financial Holdings increased its shareholding in H Shares by 25,927,500 H Shares, representing 0.26% of the total issued share capital of the Company. As at 31 December 2018, Galaxy Financial Holdings held 5,160,610,864 A Shares and 25,927,500 H Shares of the Company, representing 51.16% of the total issued share capital of the Company.

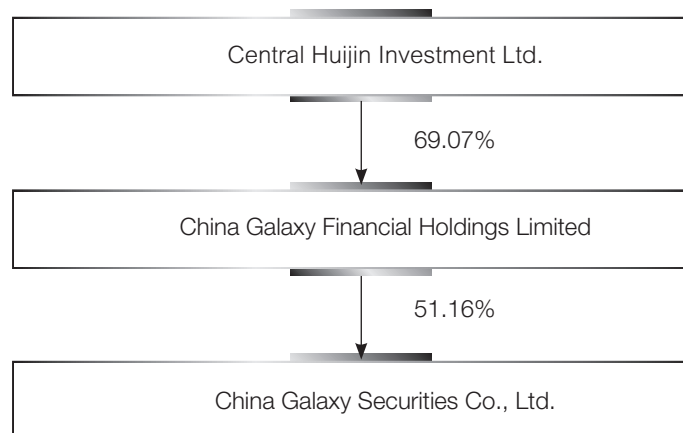
## SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

### (ii) De Facto Controller

#### 1 Legal person

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

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



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

## V. COMPLIANCE WITH UNDERTAKING BY CONTROLLING SHAREHOLDER

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

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

# SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

## I. SHAREHOLDING CHANGES AND REMUNERATIONS

### (i) Shareholding changes and remunerations of the existing and resigned Directors, Supervisors and senior management during 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	Reporting Period (RMB'0'000)	Total remuneration before tax received from the Company	Whether received remuneration from the Company's related parties or not
Chen Gongyan	Executive Director, Chairman and Chairman of the Executive Committee	Male	57	2016.10.18	Present	0	0	0	-	296.66	No	
Gu Weiguo	Executive Director	Male	60	2010.4.30	Ceased to serve as President and Deputy Chairman since 14 March 2019	0	0	0	-	284.26	No	
Wu Chengming	Secretary to the Board	Male	56	2009.8.21	Ceased to be an executive director from 26 February 2019	0	0	0	-	282.63	No	
Xiao Lihong	Non-executive Director	Female	54	2019.2.26	Present	0	0	0	-	0	Yes	
Zhang Tianli	Non-executive Director	Male	57	2019.2.26	Present	0	0	0	-	0	Yes	
Liu Dingping	Non-executive Director	Male	57	2018.2.9	Present	0	0	0	-	0	Yes	
Wu Yuwu	Independent Director	Male	58	2013.1.25	Present	0	0	0	-	24	No	
Liu Ruizhong	Independent Director	Male	68	2017.9.29	Present	0	0	0	-	25.28	No	
Wang Zhenjun	Independent Director	Male	62	2018.2.9	Present	0	0	0	-	24.08	No	
Liu Chun	Independent Director	Female	56	2019.2.26	Present	0	0	0	-	0	No	
Wang Zelan	Employee Director	Female	54	2019.2.26	Present	0	0	0	-	140.53	No	
Chen Jing	Chairman of the Supervisory Committee	Female	56	2017.5.5	Present	0	0	0	-	281.78	No	
Liu Zhiyi	Employee Supervisor	Female	55	2013.5.22	Present	0	0	0	-	129.82	No	
Chen Jijiang	Employee Supervisor	Male	53	2015.6.29	Present	0	0	0	-	124.93	No	
Tao Libin	External Supervisor	Male	42	2016.10.18	Present	0	0	0	-	12	No	
Fang Yan	External Supervisor	Female	51	2019.2.26	Present	0	0	0	-	0	No	
Li Xianglin	Vice President	Male	52	2016.8.30	Present	0	0	0	-	279.21	No	
Wei Xiaohui	Vice President	Female	56	2017.3.3	Present	0	0	0	-	276.78	No	
Yin Yanwu	Chief Officer of Asset Management Business	Male	45	2012.12.31	Present	0	0	0	-	279.21	No	
Zhu Ruimin	Chief Financial Officer	Female	49	2012.4.23	Present	0	0	0	-	279.21	No	
Wu Jianhui	Chief Human Resources Officer	Male	49	2011.11.18	Present	0	0	0	-	279.21	No	
Luo Liming	Member of the Executive Committee, Chief Internet and IT Officer	Male	43	2017.6.30	Present	0	0	0	-	279.21	No	
Wu Guofang	Member of the Executive and Chief Business Officer	Male	48	2017.12.20	Present	0	0	0	-	281.85	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 Reporting Period (RMB0'000)	Whether received remuneration from the Company's related parties or not
Shi Xun	Non-executive Director	Male	61	2011.8.19	2019.2.26	0	0	0	-	0	Yes
Luo Lin	Independent Director	Male	69	2015.6.29	2019.2.26	0	0	0	-	26	No
Li Chaoyang	Employee Director	Male	60	2015.6.29	2019.2.26	0	0	0	-	187.70	No
Du Ping	Non-executive Director	Male	56	2015.6.29	2018.10.31	0	0	0	-	0	Yes
Zhang Jinghua	Non-executive Director	Male	63	2015.6.29	2018.2.9	0	0	0	-	0	No
Liu Feng	Independent Director	Male	56	2011.4.22	2018.2.9	0	0	0	-	3.14	No
Zhong Cheng	Supervisor	Male	56	2005.12.31	2019.2.26	0	0	0	-	82.82	No
Li Shuhua	Chief Risk Officer/ Chief Compliance Officer, member of the Executive Committee	Male	47	2011.11.18	2018.7.30	0	0	0	-	172.92	No
Total	/	/	/	/	/	0	0	0	/	4,053.23	/

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

- The Company did not granted 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.
- Total remuneration before tax of the Company's Directors, Supervisors and senior management received from the Company during the reporting period was in accrual nature. The final numbers of remuneration are under audit, which will be disclosed once confirmed.



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

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

Name	Key work experience
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#### Executive Directors (2 people)

<b>Chen Gongyan</b>	born in June 1962, has been servicing as an Executive Director, the Chairman and the chairman of the Executive Committee of the Company since October 2016; the deputy general manager of Huijin since August 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, and a director and chairman of Galaxy Financial Holdings from May 2016 to October 2018. 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.
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<b>Gu Weiguo</b>	born in March 1959, has been an executive Director of our Company since April 2010, the president of our Company from March 2010 to March 2019 and the Deputy Chairman from May 2012 to March 2019. Mr. Gu has also been appointed as the chairman of the Executive Committee of the Company from December 2012 to October 2016. Mr. Gu also served as director of Galaxy Financial Holdings since June 2011, chairman of Galaxy Capital from April 2010 to October 2010, director of Galaxy International Holdings since February 2011, chairman of Galaxy International Holdings since July 2016 and director of Zhengtong Co., Ltd. from January 2015 to June 2018. From August 1987 to August 2002, Mr. Gu served consecutively as deputy division director of Editorial Office of Investment Research Division, division director of General Division of First Credit and Loan Department, deputy supervisor of Supervisory Office, general manager of Entrusted Business Department and general manager of Intermediate Business Department in China Construction Bank (previously known as China People's Construction Bank). From August 2002 to January 2007, he was vice president of China Scitech Securities Co., Ltd. (中國科技證券有限責任公司). Mr. Gu joined our Company in January 2007, and was chairman of our Company's labor union from October 2008 to July 2010, and Vice President of our Company from September 2009 to March 2010. Mr. Gu obtained a bachelor's degree in economics from Liaoning Institute of Finance and Economics in January 1982, and a master's degree in economics from Institute of Fiscal Science of Ministry of Finance in September 1987.
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## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### Non-executive Directors (4 people)

**Liu Dingping** born in September 1962, has been serving as a non-executive Director of the Company since February 2018. Mr. Liu joined China Construction Bank Corporation in July 1984, and served as a cadre of its Anhui Branch from July 1984 to February 1992, and a cadre and the deputy general manager of Hainan Trust & Investment Company, a subsidiary of China Construction Bank Corporation, from February 1992 to July 1998. Mr. Liu served as an assistant to the general manager of Hong Yuan Trust & Investment Co., Ltd. and concurrently the general manager of its Shenzhen headquarter 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 a member of 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.

**Zhang Tianli** born in December 1962, has been a non-executive Director of the Company since February 2019 and a director of Galaxy Financial Holdings since August 2017. Mr. Zhang served as an assistant researcher of Chinese Academy of Fiscal Sciences of the Ministry of Finance of the PRC from August 1985 to April 1989. He successively served as a principal staff member, the deputy division chief and the division chief of the Department of Taxation of the Ministry of Finance of the PRC from April 1989 to April 2008, the vice president of Beijing National Accounting Institute from April 2008 to August 2014, and the deputy director of the Department of Taxation of the Ministry of Finance of the PRC from August 2014 to August 2017. Mr. ZHANG obtained a bachelor's degree in economics from the Department of Finance of Hubei Economics Institute in July 1985.

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

**Wang Zelan** born in October 1965, has been a non-executive Director (employee Director) of the Company since February 2019. Ms. Wang was a lecturer in Trade Law School of University of Chongqing from July 1988 to September 1993, a staff member and the deputy manager of the Securities Department of the Trust Investment Consulting Company of Bank of China, Chongqing Branch, from September 1993 to June 1997, the deputy general manager and the general manager of Chongqing Yuzhong District Securities Transaction Branch of China Orient Trust Investment Co., Ltd. (中國東方信託投資有限責任公司) from June 1997 to October 2000, the general manager of Chongqing Minzu Road Securities Branch and the general manager of Chongqing Management Department of China Galaxy Securities Company Limited, and an assistant to the president, the deputy general manager and the deputy general manager level of the Brokers Business Head Office designated to Asia Securities (亞洲證券) by shareholders' representative from October 2000 to January 2007, the deputy general manager level of the Brokers Business Head Office of the Company, the general manager of Nanjing Management Department, the general manager of Nanjing Representative Office, the general manager of the Comprehensive Management Department of the Brokers Management Head Office, the general manager of the Margin Financing and Securities Lending Department, the executive deputy chairman of the Brokers Management Committee, and the general manager of the Human Resources Department from January 2007 to December 2018. She is currently the executive vice chairman of the Labour Union of the Company. Ms. WANG Zelan graduated from Renmin University of China in July 1988 majoring in economics with a bachelor's degree in economics, and from Zhongnan University of Economics and Law in December 2005 majoring in business administration with a master's degree in business administration.

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

**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 National Equities Exchange and Quotations, 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 servicing as an independent non-executive Director of the Company since February 2018. Mr. Wang served as a cadre and vice president of the People's Bank of China, Huang County Sub-branch of Shandong, from December 1975 to October 1987. 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. Mr. Wang graduated from the Correspondence College of the Party School of the Central Committee of the Communist Party of China with a major in economics in December 1993; graduated from Tianjin College of Finance and Economics with a major in monetary banking in May 1998; and graduated from Tianjian 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 servicing as 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 to the 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.

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

### Supervisors (5 people)

**Chen Jing** born in January 1963, holds a master's degree in engineering, and is a senior engineer. She is currently the chairman of the Supervisory Committee and labor union committee of our Company. From March 1997 to March 2000, Ms. Chen served consecutively as deputy manager and manager in the technology development department of China Cinda Trust Investment Company (中國信達信託投資公司). From September 2000 to January 2007, Ms. Chen served consecutively as supervisor of information technology center, general manager of human resources department as well as general manager of client assets depository center of China Galaxy Securities Limited Liability Company. From January 2007 to August 2007, she was general manager of human resources department as well as general manager of client assets depository center of our Company. She served as the Vice President of our Company from August 2007 to March 2017 and a member of the Executive Committee of our Company from December 2012 to March 2017. She served as the chairman of Galaxy Yuanhui Investment Co., Ltd. from December 2015 to June 2018. Ms. Chen has been the chairman of our labor union committee of our 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.

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

**Liu Zhiyi** born in October 1964, has been a Supervisor of the Company since the listing of H Shares of the Company on the Hong Kong Stock Exchange in May 2013. From July 1990 to June 1993, Ms. Liu served as assistant lecturer and lecturer in the Accounting Department of Beijing Wuzi University. From June 1993 to June 1997, she served as deputy director-level accountant of Zhongzhou Accounting Firm. From July 1997 to September 2000, she served as deputy general manager of audit and legal affairs department and executive deputy general manager of finance and planning department in China People's Insurance Trust and Investment Company (中國人保信託投資公司). From September 2000 to January 2007, she served as deputy general manager of auditing head office of China Galaxy Securities Limited Liability Company. Ms. Liu served as deputy general manager and general manager of the audit department (previously known as the audit headquarter) of the Company from January 2007 to November 2018. Ms. Liu has been the general manager of the Legal and Compliance Department of the Company since November 2018. Ms. Liu obtained a bachelor's degree in economics from Tianjin College of Finance & Economics (currently known as Tianjin University of Finance & Economics) in July 1987, and a master's degree in economics from Tianjin College of Finance & Economics (currently known as Tianjin University of Finance & Economics) in July 1990. Ms. Liu is a senior accountant recognized by Beijing Senior Specialized Technique Qualification Evaluation Committee.

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

**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, vice chair and associate professor of the Investment Department of the School of Banking and Finance of the University of International Business and Economics since January 2009. Mr. Tao Libin graduated from the Statistics and Finance Department of the University of Science and Technology of China with a bachelor's degree in finance in July 2000 and a master's degree in finance in June 2003, and graduated from the Faculty of Business and Economics of the University of Hong Kong with a doctorate degree in finance in September 2008. Mr. Tao Libin was entitled as an associate professor in December 2012.

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

**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.

### Other senior management (8 people)

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

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

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

**Wu Chengming** born in December 1963, served as a Director of our Company from August 2009 to February 2019, as Secretary to the Board 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 time he was also director of China Galaxy Investment Management Company Limited from May 2011 to July 2012. Mr. Wu obtained a bachelor's degree in law from Peking University in July 1985.

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

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

**Wu Jianhui** born in November 1970, holds a doctorate in economics, and is a senior economist. He is currently the Chief Human Resources Officer and a member of the Executive Committee of our Company. From April 1997 to December 2005, Mr. Wu served consecutively as staff member of examination and appointment and dismissal division of staff education department, deputy manager of training and development division (in charge of work), deputy manager of general information division (in charge of work) and manager of long-term incentive program division of human resources department of China Unicom Limited (中國聯合通信有限公司). From January 2006 to December 2007, Mr. Wu was an assistant general manager of human resources department in Bank of China Limited (中國銀行股份有限公司), during which he also served as director of Bank of China Insurance Co., Ltd. (中銀保險有限公司). From December 2007 to June 2010, he worked as senior manager in human resources department of China Investment Corporation. From July 2010 to April 2012, Mr. Wu served as general manager of human resources department in our Company. From March 2011 to August 2012, he served as secretary to the Board of our Company. He has been serving as a director of Galaxy Capital from July 2011 to March 2018, the Chief Human Resources Officer since from November 2011 to March 2018 and a member of the Executive Committee of our 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 of Zunyi City, Guizhou Province. Mr. Wu obtained a bachelor's degree in law from Lanzhou University in June 1994, a master's degree in economics from Renmin University of China in June 1997 and a doctor's degree in economics from Renmin University of China in January 2005. He is a senior economist recognized by Senior Professional Qualifications Committee of the State-owned Assets Supervision and Administration Committee of the State Council (國資委高級專業技術職務任職資格評審委員會) in October 2005.

**Luo Liming** born in September 1976, holds a doctorate degree in computer science, and is a member of China Securities Industry Standardization Technology Committee, the chief expert of Professional Working Group on Information Disclosure of CSISC (證標委信息披露領域專業工作組), and the deputy director of Internet Professional Committee of the Securities Association of China. Mr. Luo is currently a member of the Executive Committee and the Chief Internet and IT Officer of the Company. Mr. Luo successively served as operation and maintenance engineer, programmer, project leader and project manager of Changzhou Securities Company (常州市證券公司) (now known as Donghai Securities Company Limited (東海證券股份有限公司)) and its subsidiaries from August 1998 to May 2002; successively served as project manager and manager of the development department of Beijing Shihua International Financial Information Company Limited (北京世華國際金融信息有限公司) from May 2002 to October 2005; successively served as consultant, senior consultant, project manager, senior project manager, director of department, general manager assistant and deputy general manager of Global Business Intelligence Consulting Co. (吉貝克信息技術有限公司) from October 2005 to February 2013; a researcher of Planning and Development Committee of 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.

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



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

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

#### (i) Positions in shareholder entities

Name of employee	Name of shareholder entity	Position in shareholder entity	Starting date of term of office	Expiry date of term of office
Chen Gongyan	Galaxy Financial Holdings	Chairman	May 2016	October 2018
Gu Weiguo	Galaxy Financial Holdings	Director	June 2011	Present
Shi Xun	Galaxy Financial Holdings	Director	September 2017	October 2018
Du Ping	Galaxy Financial Holdings	General manager	February 2015	October 2018
Xiao Lihong	Galaxy Financial Holdings	Director	October 2018	Present
Zhang Tianli	Galaxy Financial Holdings	Director	August 2017	Present

#### (ii) Positions in other entities

Name of employee	Name of other entity	Position in other entity	Starting date of term of office	Expiry date of term of office
Chen Gongyan	Huijin	Deputy general manager	August 2016	Present
	Securities Association of China	Chairman	June 2011	Present
	Asian Financial Cooperation Association	Vice Chairman	July 2017	Present
	The Green Finance Cooperation Committee of AFCA	Director	November 2018	Present
Gu Weiguo	Shenzhen Stock Exchange	Member director	April 2017	Present
	Securities Association of China	Director	April 2012	Present
	Margin Financing Committee of the Securities Association of China	Chairman	April 2016	Present
	Financial Law Behaviour Research Society of the China Behaviour-law Association	Deputy chairman	December 2015	Present
	Policy Advisory Committee of the Fourth Board of Governor of the SSE	Committee member	September 2016	Present
	Galaxy International Holdings	Director, chairman	February 2011	Present
	Zhengtong Co., Ltd.	Director	January 2015	June 2018

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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
Shi Xun	CGS-CIMB Securities International Pte. Ltd.	Director	January 2018	Present
Wu Chengming	The Listed Companies Association of Beijing	Member of the fifth council	August 2018	Present
	Zhengtong Co., Ltd.	Director	June 2018	Present
Xiao Lihong	Bank of China Limited	Non-executive director	August 2017	Present
Wu Yuwu	The Chinese University of Hong Kong	Professor	July 1995	Present
	Honghua Group Limited	Independent director	January 2018	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.	Independent director	July 2012	Present
	PPM (Shenzhen) Inc.	Independent director	August 2014	Present
Chen Jing	Securities Association of China	Vice chairman of over-the-counter market committee	April 2013	December 2017
	Galaxy Financial Holdings Working Committee under the National Committee of the China Financial Labour Union	Vice chairman	July 2013	Present
	Fourth Session Funding Review Committee of the China Financial Labour Union	Executive member	July 2013	August 2018
	China Computer User Association	Executive director and chairman of cloud application branch	January 2010	May 2018
	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 securities mediation committee	April 2018	Present

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

Name of employee	Name of other entity	Position in other entity	Starting date of term of office	Expiry date of term of office
Zhong Cheng	Galaxy Futures Company Limited	Chairman of the supervisory committee	July 2011	July 2018
	Galaxy Futures Company Limited	Director and chairman	July 2018	Present
Liu Zhiyi	Beijing National Accounting Institute	Part-time professor	September 2012	December 2020
Tao Libin	University of International Business and Economics	Vice chair and associate professor of the investment department of the school of finance	January 2009	Present
	Beijing Kai Yuan Ju Tuo Technology Co., Ltd.	Legal representative, general manager, executive director	May 2011	November 2018
Fang Yan	Jincheng Tongda & Neal Law Firm	Senior partner and director of Xi'an branch	March 2000	Present
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	Present
Wei Xiaohui	Huoshan County Orphan Helping and Education Aiding Society	Head of accounting and director	June 2009	Present
	China Investment Securities Investment Co., Ltd.	Chairman	September 2015	December 2016
Yin Yanwu	Asset Management Business Committee of the Securities Association of Beijing	Vice chairman	January 2014	Present
Zhu Ruimin	Securities Association of China	Member of financial, accounting and risk control committee	August 2011	Present
Wu Jianhui	Financial Talent Committee of the China Talent Research Association	Vice chairman	January 2013	Present
	Securities Association of China	Member of compliance and management committee	January 2018	Present

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

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

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

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

Decision-making procedure of remuneration management of Directors, Supervisors and senior management:

The remunerations of Directors and Supervisors shall be determined by the shareholders general meeting and the remuneration of senior management shall be determined by the Board. The remuneration figures are determined according to the respective duties and performance review.

Basis of determination of remuneration of Directors, Supervisors and senior management:

The Company has formulated *Administrative Measures for Remuneration of Directors and Supervisors of the Company and Interim Measures for Management of Remuneration of Senior Management*. The Company will continue to improve the performance and remuneration management system according to the relevant regulatory requirements and based on its actual situation.

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

Please see “I. Shareholding Changes and Remunerations – (i) Shareholding changes and remuneration of the existing and resigned Directors, Supervisors and senior management during and after the Reporting Period” of this section for details of the actual remuneration of the existing Directors, Supervisors and senior management and those resigned received from the Company during and after the Reporting Period.

Actual total remuneration of all the Directors, Supervisors and 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 RMB40.5323 million during the Reporting Period.

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

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

Name	Position	Changes	Reason for changes
Zhang Jinghua	Non-executive Director	Resigned	On 9 February 2018, after Mr. Liu Dingping was elected as a Director of the Company at the first extraordinary general meeting of 2018, Mr. Zhang Jinghua ceased to be a Director of the Company due to his age.
Liu Dingping	Non-executive Director	Elected	
Wang Zhenjun	Independent Director	Elected	The Company received a resignation letter from Mr. Liu Feng on 24 January 2018. Mr. Liu Feng tendered his resignation as an independent Director of the Company due to his intension to focus on his other work commitments and engagements. Since the resignation of Mr. Liu Feng would result in the number of independent Directors of the Company falling below the quorum as required by law, Mr. Liu Feng, in accordance with the requirements of relevant laws and regulations" and the Articles of Association, continued to perform his duties as an independent Director and relevant duties as a member of the various Board committees until the appointment of Mr. Wang Zhenjun as an independent Director was approved at the first extraordinary general meeting of 2018 held by the Company on 9 February 2018.
Liu Feng	Independent Director	Resigned	
Du Ping	Non-executive Director	Resigned	The Company received a resignation letter from Mr. Du Ping on 31 October 2018. Mr. Du Ping tendered his resignation as a non-executive Director of the Company due to adjustment of work arrangements. The resignation of Mr. Du Ping was effective from the same date.
Xiao Lihong	Non-executive Director	Elected	On 26 February 2019, Ms. Xiao Lihong and Mr. Zhang Tianli were elected as non-executive Directors of the third session of the Board of the Company at the first extraordinary general meeting of 2019 of the Company. Mr. Shi Xun and Mr. Wu Chengming ceased to be Directors of the Company due to work arrangements.
Zhang Tianli	Non-executive Director	Elected	
Shi Xun	Non-executive Director	Resigned	
Wu Chengming	Executive Director	Resigned	

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

Name	Position	Changes	Reason for changes
Luo Lin	Independent Director	Resigned	On 26 February 2019, Ms. Liu Chun was elected as an independent Director of the third session of the Board of the Company at the first extraordinary general meeting of 2019 of the Company. Mr. Luo Lin ceased to be the independent Director of the Company due to his age.
Liu Chun	Independent Director	Elected	
Li Chaoyang	Employee director	Resigned	As approved at the employee representative meeting of the Company, Ms. Wang Zelan was elected as an employee Director of the Company with effect from 26 February 2019. Mr. Li Chaoyang ceased to be an employee Director of the Company due to his age.
Wang Zelan	Employee director	Elected	
Fang Yang	Supervisor	Elected	On 26 February 2019, Ms. Fang Yan was elected as a Supervisor of the third session of the supervisory committee of the Company at the first extraordinary general meeting of 2019 of the Company. Due to adjustment of work arrangements, Mr. Zhong Cheng ceased to be a Supervisor of the Company.
Zhong Cheng	Supervisor	Resigned	
Li Shuhua	Chief Risk Officer/ Chief Compliance Officer, member of the Executive Committee	Resigned	On 30 July 2018, the discontinuation of the appointment of Mr. Li Shuhua as the chief risk officer/chief compliance officer, and a member of the Executive Committee of the Company was approved at the 42nd meeting (extraordinary) of the third session of the Board of the Company, with effective from the same date.

Note: As Mr. Gu Weiguo has reached retirement age, the Board resolved to terminate the appointment of Mr. Gu Weiguo as the President, a member of the Executive Committee and the Vice Chairman of the Board with effect from 14 March 2019. Due to the same reason, the Board also resolved to remove Mr. Gu Weiguo from the office of an Executive Director of the Company. According to the Articles of Association of the Company, the removal of Mr. Gu Weiguo from the office of an Executive Director of the Company is subject to the approval of the shareholders of the Company at the 2018 annual general meeting.

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

Nil

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

### VI. STAFF AND REMUNERATION

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

<b>Number of employees of the Company</b>	<b>8,579</b>
Number of employees of the major subsidiaries	1,102
Total number of employees	9,681
Number of resigned and retired employees with expenses borne by the Company and major subsidiaries	534

#### **Profession Structure**

Category	Number of persons
Securities brokerage	6,986
Futures brokerage	448
Investment banking	331
Assets management	136
Proprietary trading	62
Private equity investment	28
Investment research	181
Clearing	100
Legal/Risk Control/Audit	444
IT	467
Planning and Finance	311
Administrative management	187
Total	9,681

#### **Educational Background**

Category	Number of persons
Doctors	82
Masters	1,627
Bachelors	6,147
Associate degree and below	1,825
Total	9,681



## 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 staffs. The pay grade of basic remuneration corresponds to the rank of employees.

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

The performance based bonus will be distributed based on results of performance assessment.

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

### (iii) Training plan

In order to better serve the transformation and development of the Company and establish various levels of financial talents service, the Company established a “training center” in 2018 to co-ordinate the training management, including management training, business training, general skills training for staff, vocational skills training and new staff training. The online training and learning platform of the Company, “Galaxy University”, has been officially put into operation, providing a new platform for staff to learn independently, share and exchange knowledge. Specifically, in order to actively promote the transformation from traditional brokerage business to wealth management business, the Company has further drawn on international advanced experience, organized the backbone staff of relevant business departments to independently develop the training curriculum system for wealth managers. In order to expand the thinking of the middle and senior management and establish strategic thinking, the Company has initiated the training through walking into bench-marking famous enterprises. In order to enhance the comprehensive staff quality and create a professional and positive working atmosphere, the Company has successively organized “Galaxy Lectures” and widely invited senior experts and scholars in relevant fields to exchange ideas based on the current social, industry or business focus with the staff.

### (iv) Labour outsourcing

Total working hours outsourced:	216,300 standard working hours
Total remuneration paid for labour outsourcing:	RMB9,725,600

## 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 of the end of the Reporting Period, there were 1,133 brokers working for the Company.

## SECTION IX CORPORATE GOVERNANCE REPORT

### I. INFORMATION ON CORPORATE GOVERNANCE

#### (i) Overview of corporate governance

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

During the Reporting Period, other than code provision A.4.2 of the CG Code, the Company has complied with all code provisions and met the requirements of most recommended best practice provisions set out in the CG Code. In accordance with the requirements of code provision A.4.2 of the CG Code, each director shall retire by rotation at least once every three years. During the period from June 2015 to June 2018, the term of the third session of the Board and the Supervisory Committee 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. The Company will submit the information regarding the nomination or re-election of new session of Directors and Supervisors to the general meeting 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.

#### (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; and
- (e) to review the Company’s compliance with the code provisions and the disclosure in the “Corporate Governance Report”.

## SECTION IX CORPORATE GOVERNANCE REPORT

### II. INTRODUCTION TO GENERAL MEETINGS

As the supreme authority of the Company, the general meeting of the Company exercises its power 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 2 general meetings, the details and resolutions of which are as follows:

1. On 9 February 2018, the Company held the first extraordinary general meeting for 2018 to consider and approve the “Remuneration Plan for Mr. Chen Gongyan for 2016”, the “Remuneration Plan for Mr. Chen Youan for 2015 and 2016”, the “Remuneration Plan for Mr. Yu Wenxiu for 2015 and 2016”, the “Proposal for the Amendments to the Articles of Association”, the “Proposal for the Election of Mr. Wang Zhenjun as an Independent Director of the Company by the General Meeting” and the “Proposal for the Election of Mr. Liu Dingping as a Director of the Company by the General Meeting”.
2. On 26 June 2018, the Company held the annual general meeting for 2017 to consider and approve the “Work Report of the Board of Directors of the Company for 2017”, the “Work Report of the Supervisory Committee of the Company for 2017”, the “Proposal for Reviewing the 2017 Annual Report of the Company”, the “Proposal for Reviewing the Final Accounts Report of the Company for 2017”, the “Proposal for Reviewing the Profit Distribution Plan of the Company for 2017”, the “Proposal for Reviewing the Capital Expenditure Budget of the Company for 2018”, the “Proposal for the Nomination and Appointment of the External Auditing Firms of the Company for 2018” and the “Proposal for the General Mandate to Issue Shares of the Company”, and to listen to the 2017 duty performance report of independent Directors.

### 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 ability. The independent non-executive Directors have faithfully performed their duties and have protected the overall interests of the Company, especially the interests of small and medium shareholders, which ensured the independence and scientificity of the decision-making by the Board.

The Board currently comprises of 10 Directors, which includes 2 executive Directors (Mr. Chen Gongyan and Mr. Gu Weiguo), 4 non-executive Directors (Ms. Xiao Lihong, Mr. Liu Dingping, Mr. Zhang Tianli and Ms. Wang Zelan), 4 independent non-executive Directors (Mr. Wu Yuwu, Mr. Wang Zhenjun, Mr. Liu Ruizhong and Ms. Liu Chun), among which the number of independent Directors accounts for more than one-third of the number of Directors. Mr. Chen Gongyan is the chairman of the Board. 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 the Company has received the annual confirmation of independence from each of the independent Directors pursuant to Rule 3.13 of the Stock Exchange Listing Rules and the Company continues to confirm the independence of the independent Directors.

According to the resolutions passed at the 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

Name of Directors	Independent Director	Attendance at Board meetings					Absence from two consecutive meetings	Attendance at general meetings
		Required attendance during the year	Attendance in person	Attendance by communication	Attendance by proxy	Absence		Attendance at general meetings
Chen Gongyan	No	13	12	3	1	0	No	1
Gu Weiguo	No	12	11	2	1	0	No	2
Du Ping (resigned during the Reporting Period)	No	10	8	2	2	0	Yes	2
Shi Xun (resigned after the Reporting Period)	No	13	13	2	0	0	No	2
Zhang Jinghua (resigned during the Reporting Period)	No	0	0	0	0	0	No	1
Liu Dingping	No	13	13	2	0	0	No	1
Wu Chengming (resigned after the Reporting Period)	No	12	12	3	0	0	No	2
Liu Feng (resigned during the Reporting Period)	Yes	0	0	0	0	0	No	1
Luo Lin (resigned after the Reporting Period)	Yes	13	13	3	0	0	No	1
Wu Yuwu	Yes	13	10	7	2	1	Yes	1
Liu Ruizhong	Yes	13	12	3	1	0	No	1
Wang Zhenjun	Yes	13	12	2	1	0	No	1
Li Chaoyang (resigned after the Reporting Period)	No	13	13	6	0	0	No	2

Description of absence from two consecutive meetings in person:

- (1) On 27 September 2018, due to work arrangement, Mr. Du Ping appointed Mr. Gu Weiguo to attend and vote on the 44th meeting (extraordinary) of the third session of the Board of Directors on his behalf. On 30 October 2018, due to work arrangement, Mr. Du Ping appointed Mr. Gu Weiguo to attend and vote on the 45th meeting (regular) of the third session of the Board of Directors on his behalf.
- (2) On 21 December 2018, due to work arrangement, Mr. Wu Yuwu appointed Mr. Liu Ruizhong to attend the 47th meeting (extraordinary) of the third session of the Board of the Directors on his behalf, and he took a leave of absence and did not attend the fourth meeting of non-executive Directors of the third session of the Board of Directors held on the same day.

### (iii) Operation of the Board

During the Reporting Period, the Company held 13 Board meetings through communication tool or a combination of on-site meeting and communication tool, details of which are as follows:

- (1) On 9 February 2018, the 36th meeting (extraordinary) of the third session of the Board was held, at which the "Proposal for the Composition of Special Committees under the Third Session of the Board of China Galaxy Securities Co., Ltd." was considered and passed.

## SECTION IX CORPORATE GOVERNANCE REPORT

- (2) On 28 March 2018, the Company held the 37th meeting (regular) of the third session of the Board, at which the “Proposal for Reviewing the Final Accounts Plan of China Galaxy Securities Co., Ltd. for 2017”, the “Proposal for Reviewing the Profit Distribution Plan of China Galaxy Securities Co., Ltd. for 2017”, the “Proposal for Reviewing the Annual Report of China Galaxy Securities Co., Ltd. for 2017”, the “Proposal for Reviewing the Social Responsibility & Environmental, Social and Governance Report of China Galaxy Securities Co., Ltd. for 2017”, the “Proposal for Reviewing the Internal Control Assessment Report of the Company for 2017”, the “Proposal for Reviewing the Compliance Report of the Company for 2017”, the “Proposal for Reviewing the Risk Management Report of China Galaxy Securities Co., Ltd. for 2017 by the Board”, the “Proposal for Reviewing the Management’s Work Report for 2017”, the “Proposal for Reviewing the Work Report of the Board for 2017”, the “Duty Performance Report of the Audit Committee of the Board for 2017”, the “Work Report of Independent Directors for 2017”, the “Special Report on the Deposit and the Actual Utilization of the Proceeds Raised by the Company”, the “Proposal for the Work Plan of China Galaxy Securities Co., Ltd. for 2018”, the “Proposal for the Capital Expenditure Budget of China Galaxy Securities Co., Ltd. for 2018”, the “Proposal for Reviewing the Amendments to the Major Accounting Policies and Accounting Estimates of China Galaxy Securities Co., Ltd.”, the “Proposal for Reviewing the Mandate by the Board to the President”, the “Proposal for Convening the General Meeting of China Galaxy Securities Co., Ltd. for 2017”, the “Proposal for Reviewing the Overall Renovation and Redevelopment of the Business Premises of the Headquarters of China Galaxy Securities Co., Ltd.” were considered and passed; the duty performance reports of the Strategy and Development Committee, the Nomination and Remuneration Committee and the Risk Management Committee under the Board for 2017 and the “Report on the Anti-Money Laundering Work of China Galaxy Securities Co., Ltd. for 2017” were heard.
- (3) On 26 April 2018, the 38th meeting (regular) of the third session of the Board was held, at which the “Proposal for Reviewing the First Quarterly Report of the Company for 2018” and the “Proposal for the Appointment of External Auditing Firms for 2018” were considered and passed.
- (4) On 31 May 2018, the 39th meeting (extraordinary) of the third session of the Board was held, at which the “Proposal for the General Mandate to Issue Shares” was considered and passed.
- (5) On 18 July 2018, the 40th meeting (extraordinary) of the third session of the Board was held, at which the “Proposal for Reviewing the Provision by Galaxy International Holdings of Loan Guarantee to CGS-CIMB Securities and Its Subsidiary”, the “Proposal for Reviewing the Rectification Plan of China Galaxy Securities Co., Ltd. for the Anti-money Laundering On-site Inspection of the People’s Bank of China”, the “Proposal for Reviewing the Participation by China Galaxy Securities Co., Ltd. in the Joint Bidding for the Construction of Commercial Buildings in Beijing Lize Business District” and the “Proposal for the Intention to Acquire from Galaxy Financial Holdings its 50% Equity Interest in Galaxy Fund Management Co., Ltd. by Cash” were considered and passed.
- (6) On 26 July 2018, the 41th meeting (extraordinary) of the third session of the Board was held, at which the “Proposal for Reviewing the Connected Transaction in relation to the Acceptance by Galaxy Futures of the Transfer of the Equity Interest in Galaxy Derivatives Held by Galaxy Financial Holdings” was considered and passed.
- (7) On 30 July 2018, the 42th meeting (extraordinary) of the third session of the Board was held, at which the “Proposal on Allocating Funds for Poverty Alleviation in 2018” and the “Proposal for Reviewing the Termination of Mr. Li Shuhua as Chief Risk Officer/Compliance Officer and Member of the Executive Committee of the Company” were considered and passed.

## SECTION IX CORPORATE GOVERNANCE REPORT

- (8) On 30 August 2018, the 43th meeting (regular) of the third session of the Board was held, at which the “Proposal for Reviewing the Interim Report of the Company for 2018”, the “Proposal for the Interim Compliance Report of the Company for 2018” were considered and passed, and the report on business and risk management of the Company for the first half of 2018 was heard.
- (9) On 27 September 2018, the 44th meeting (extraordinary) of the third session of the Board was held, at which the “Proposal for Reviewing the Right of First Refusal Exercised by the Company to Acquire 16.68% Shares of Galaxy Futures Held by Suhuang Financial Futures Asia Co., Ltd. and the Execution of the Sale and Purchase Agreement” was considered and passed.
- (10) On 30 October 2018, the 45th meeting (regular) of the third session of the Board was held, at which the “Proposal for Reviewing the Third Quarterly Report of the Company for 2018” and the “Proposal on the Change of Joint Company Secretary and Authorized Representative of China Galaxy Securities Co., Ltd.” were considered and passed.
- (11) On 14 December 2018, the 46th meeting (extraordinary) of the third session of the Board was held, at which the “Proposal for the Remuneration Settlement Plan for Senior Management for 2017” and the “Proposal for the Conducting of Stock Option Market-making Business by the Company” were considered and passed, and the “Report on the Nomination of Zhuang Yaming as the General Manager of the Audit Department” was heard.
- (12) On 21 December 2018, the 47th meeting (extraordinary) of the third session of the Board was held, at which the “Five-Year Strategic Plan (2018-2022) of China Galaxy Securities”, the “Proposal for the Recommendation of Xiao Lihong and Others as the Candidates for Directors of the Company”, the “Proposal for the Renewal of the Securities and Financial Services Framework Agreement between the Company and Galaxy Financial Holdings and the Determination of the Caps on Connected Transactions for 2019-2021” and the “Proposal for the Convening of the First Extraordinary General Meeting of 2019” were considered and passed.
- (13) On 21 December 2018, the fourth meeting of non-executive Directors of the third session of the Board was held, at which they conducted communication and exchange about the development of the Board and the matters regarding the operation and management of the Company.

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

Name of independent Director	Relevant issues to which the independent Directors objected	Objection	Whether to accept or not	Note
Wu Yuwu	The “Proposal for Reviewing the Provision by Galaxy International Holdings of Loan Guarantee to CGS-CIMB Securities and Its Subsidiary” was considered at the 40th meeting (extraordinary) of the third session of the Board	Under the current ever-changing international environment, it is difficult to assess the relevant impact brought by such loan guarantee and the potential financial losses to the Company based on existing materials	Yes	The relevant support materials have been supplemented by the recommendations of director, Wu Yuwu.

## SECTION IX CORPORATE GOVERNANCE REPORT

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

The Company has 4 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 the 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.

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

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

## SECTION IX CORPORATE GOVERNANCE REPORT

### (vii) Training for Directors

	Date of training	Training contents	Training participants
1	23 May 2018	The “1st Special Training Course of 2018 for Directors and Supervisors of Listed Companies within the Territory” held by the Listed Companies Association of Beijing	Shi Xun
2	31 July 2018	The study on the Corporate Governance Code of the Hong Kong Stock Exchange and the Consultation Summary on Related Amendments to the Listing Rules	Chen Gongyan, Gu Weiguo, Du Ping, Shi Xun, Liu Dingping, Wu Chengming, Luo Lin, Liu Ruizhong, Wu Yuwu, Wang Zhenjun, Li Chaoyang
3	23-26 October 2018	The “Advanced Seminar on Corporate Governance of Listed Companies Outside China” held by the Hong Kong Institute of Chartered Secretaries	Wu Chengming, Liu Dingping
4	26 November 2018	The study on the Results of the Review by the Hong Kong Stock Exchange of the Issuer’s Corporate Governance Report and Updated ESG Reporting Guidelines	Chen Gongyan, Gu Weiguo, Shi Xun, Liu Dingping, Wu Chengming, Luo Lin, Liu Ruizhong, Wu Yuwu, Wang Zhenjun, Li Chaoyang
5	29 November 2018	The “7th Special Training Course of 2018 for Directors and Supervisors of Listed Companies within the Territory” held by the Listed Companies Association of Beijing	Liu Dingping
6	November 2018	The “Finance Technology” training organized by Central Huijin	Shi Xun, Liu Dingping
7	December 2018	The Director training organized by the Ministry of Finance	Shi Xun, Liu Dingping
8	19 December 2018	The “8th Special Training Course of 2018 for Directors and Supervisors of Listed Companies within the Territory” held by the Listed Companies Association of Beijing	Wu Chengming
9	20 December 2018	The research on and judgment of the capital market situation in 2019	Chen Gongyan, Gu Weiguo, Shi Xun, Liu Dingping, Wu Chengming, Luo Lin, Liu Ruizhong, Wang Zhenjun, Li Chaoyang
10	21 December 2018	The study on the “Regulations on the Integrity of Securities and Futures Operating Institutions and Their Employees” of the SFC of Hong Kong	Chen Gongyan, Gu Weiguo, Shi Xun, Liu Dingping, Wu Chengming, Luo Lin, Liu Ruizhong, Wang Zhenjun, Li Chaoyang
11	24 December 2018	Study on the new amendments to the Listing Rules of the Hong Kong Stock Exchange effective on 1 January 2019	Chen Gongyan, Gu Weiguo, Shi Xun, Liu Dingping, Wu Chengming, Luo Lin, Liu Ruizhong, Wu Yuwu, Wang Zhenjun, Li Chaoyang



## SECTION IX CORPORATE GOVERNANCE REPORT

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

The Strategy and Development Committee, the Compliance and Risk Management Committee (on 9 February 2018, the first extraordinary general meeting of the Company for 2018 approved the amendments to the Articles of Association, including changing the name of “Risk Management Committee” to “Compliance and Risk Management Committee”), the Nomination and Remuneration Committee and the Audit Committee have been established under the Board. The Committees shall assist with the work of the Board within the terms of reference specified in the rules of procedure, be responsible for the Board and report to the Board. 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	Mr. Chen Gongyan	Executive Directors: Mr. Gu Weiguo, Mr. Wu Chengming Non-executive Directors: Mr. Shi Xun, Mr. Liu Dingping, Mr. Li Chaoyang Independent non-executive Directors: Mr. Luo Lin, Mr. Wu Yuwu, Mr. Liu Ruizhong, Mr. Wang Zhenjun
Compliance and Risk Management Committee	Mr. Shi Xun	Executive Directors: Mr. Gu Weiguo, Mr. Wu Chengming Non-executive Directors: Mr. Liu Dingping, Mr. Li Chaoyang Independent non-executive Director: Mr. Wang Zhenjun
Nomination and Remuneration Committee	Mr. Liu Ruizhong	Non-executive Directors: Mr. Shi Xun, Mr. Li Chaoyang Independent non-executive Directors: Mr. Luo Lin, Mr. Wu Yuwu, Mr. Wang Zhenjun
Audit Committee	Mr. Luo Lin	Non-executive Directors: Mr. Shi Xun, Mr. Liu Dingping Independent non-executive Directors: Mr. Wu Yuwu, Mr. Liu Ruizhong, Mr. Wang Zhenjun

Notes:

- Mr. Zhang Jinghua resigned as a non-executive Director and ceased to act as a member of each of the Strategy and Development Committee, the Compliance and Risk Management Committee and the Audit Committee on 9 February 2018.
- Mr. Liu Feng resigned as an independent Director and ceased to act as the chairman of the Nomination and Remuneration Committee, and a member of each of the Strategy and Development Committee, the Compliance and Risk Management Committee and the Audit Committee on 9 February 2018.
- As approved on the 36th meeting of the third session of the Board on 9 February 2018, Mr. Liu Dingping was elected to be a member of each of the Strategy and Development Committee, the Compliance and Risk Management Committee and the Audit Committee; Mr. Wang Zhenjun was elected to be a member of each of the Strategy and Development Committee, the Compliance and Risk Management Committee, the Nomination and Remuneration Committee and the Audit Committee; and Mr. Liu Ruizhong was elected to be the chairman of the Nomination and Remuneration Committee.
- Mr. Du Ping resigned as a non-executive Director and ceased to act as a member of each of the Strategy and Development Committee and the Compliance and Risk Management Committee on 31 October 2018.

## SECTION IX CORPORATE GOVERNANCE REPORT

As at the date of this report, the composition of each special committee under the Board is as follows:

Name of special committee	Chairman	Member
Strategy and Development Committee	Mr. Chen Gongyan	Executive Director: Mr. Gu Weiguo Non-executive Directors: Mr. Liu Dingping, Ms. Xiao Lihong, Mr. Zhang Tianli Independent non-executive Directors: Mr. Liu Ruizhong, Mr. Wang Zhenjun
Compliance and Risk Management Committee	Mr. Liu Dingping	Executive Director: Mr. Gu Weiguo Non-executive Directors: Ms. Xiao Lihong, Mr. Zhang Tianli, Ms. Wang Zelan Independent non-executive Directors: Mr. Wang Zhenjun, Ms. Liu Chun
Nomination and Remuneration Committee	Mr. Liu Ruizhong	Non-executive Director: Mr. Liu Dingping Independent non-executive Directors: Mr. Wu Yuwu, Mr. Wang Zhenjun, Ms. Liu Chun
Audit Committee	Ms. Liu Chun	Non-executive Director: Mr. Zhang Tianli Independent non-executive Directors: Mr. Wu Yuwu, Mr. Liu Ruizhong, Mr. Wang Zhenjun

Notes:

- Mr. Shi Xun resigned as a non-executive Director and ceased to act as the chairman of the Compliance and Risk Management Committee, and a member of each of the Strategy and Development Committee, the Nomination and Remuneration Committee and the Audit Committee on 26 February 2019.
- Mr. Wu Chengming resigned as an executive Director and ceased to act as a member of each of the Strategy and Development Committee and the Compliance and Risk Management Committee on 26 February 2019.
- Mr. Luo Lin resigned as an independent Director and ceased to act as the chairman of the Audit Committee and a member of each of the Strategy and Development Committee and the Nomination and Remuneration Committee on 26 February 2019.
- Mr. Li Chaoyang resigned as a non-executive Director and ceased to act as a member of each of the Strategy and Development Committee, the Nomination and Remuneration Committee and the Compliance and Risk Management Committee on 26 February 2019.
- As approved on the 48th meeting of the third session of the Board on 26 February 2019, Ms. Xiao Lihong was elected as a member of each of the Strategic and Development Committee and the Compliance and Risk Management Committee; Mr. Zhang Tianli was elected as a member of each of the Strategic and Development Committee, the Compliance and Risk Management Committee and the Audit Committee; Ms. Liu Chun was elected as the chairman of the Audit Committee and a member of each of the Nomination and Remuneration Committee and the Compliance and Risk Management Committee; Ms. Wang Zelan was elected as a member of the Compliance and Risk Management Committee; Mr. Liu Dingping ceased to be a member of the Audit Committee, and was re-designated to be the chairman the Compliance and Risk Management Committee and a member of the Nomination and Remuneration Committee; and Mr. Wu Yuwu ceased to be a member of the Strategy and Development Committee.

## SECTION IX CORPORATE GOVERNANCE REPORT

### (i) Strategy and Development Committee

#### 1. Functions of the Committee

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

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

During the Reporting Period, the Strategy and Development Committee convened 6 meetings, at which in-depth studies and deliberation of significant matters were conducted in respect of the Company's strategic planning, increase in capital of subsidiary, annual work plan and profit distribution plan. Recommendations were made to the Board, which effectively assisted the Board in carrying out related work.

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

- (1) On 5 March 2018, the 13th meeting of the Strategy and Development Committee under the third session of the Board was held, at which the "Proposal for Reviewing the Profit Distribution Plan of China Galaxy Securities Co., Ltd. for 2017", the "Proposal for the Work Plan of China Galaxy Securities Co., Ltd. for 2018", the "Proposal for the Capital Expenditure Budget of China Galaxy Securities Co., Ltd. for 2018", the work report of the Board for 2017 and the duty performance report of the Strategy and Development Committee for 2017 were preliminarily reviewed and approved for submission to the Board for review.
- (2) On 29-30 March 2018, the 14th meeting of the Strategy and Development Committee under the third session of the Board was held, at which the reports from senior executives of the Company on their respective work were heard.
- (3) On 20 June 2018, the 15th meeting of the Strategy and Development Committee under the third session of the Board was held, at which the "Proposal for Reviewing the Participation by China Galaxy Securities Co., Ltd. of the Joint Bidding for the Construction of Commercial Buildings in Beijing Lize Business District" was preliminarily reviewed and approved for submission to the Board for review.
- (4) On 26 June 2018, the 16th meeting of the Strategy and Development Committee under the third session of the Board was held, at which the "Proposal for the Capital Increase in Galaxy Yuanhui Investment Co., Ltd.", the "Proposal for Reviewing the Provision by Galaxy International Holdings of Loan Guarantee to CGS-CIMB Securities and Its Subsidiary" were preliminarily reviewed and approved for submission to the Board for review.
- (5) On 30 October 2018, the 17th meeting of the Strategy and Development Committee under the third session of the Board was held, at which the "Proposal for Reviewing the Authorization of Galaxy International Holdings for the Provision of Bank Loan Guarantee to CGS-CIMB Securities" was preliminarily reviewed and approved for submission to the Board for review.

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- (6) On 14 December 2018, the 18th meeting of the Strategy and Development Committee under the third session of the Board was held, at which the “Five-Year Strategic Plan (2018-2022) of China Galaxy Securities”, the “Proposal for Reviewing the Capital Increase in Galaxy Yuanhui Investment Co., Ltd.”, the “Proposal for the Capital Increase in Galaxy Innovation Capital Management Co., Ltd.”, the “Proposal for Reviewing the Purchase of Business Premises in Taizhou City, Zhejiang Province”, the “Proposal for the Conducting of Stock Option Market-making Business by the Company” and the “Proposal for Reviewing the Authorization of Galaxy International Holdings for the Provision of Bank Loan Guarantee to CGS-CIMB Securities” were preliminarily reviewed and approved for submission to the Board for review, and the report of Galaxy International Holdings on CGS-CIMB Securities’ business plan and the report of Galaxy International Holdings on CIMB Acquisition were heard.

### 3. Attendance of members at meetings during the Reporting Period

Name of members	Required attendance at meetings	Actual attendance
Chen Gongyan	6	4
Gu Weiguo	6	5
Shi Xun (resigned after the Reporting Period)	6	6
Liu Dingping	6	6
Wu Chengming (resigned after the Reporting Period)	6	6
Luo Lin (resigned after the Reporting Period)	6	6
Liu Ruizhong	6	6
Wu Yuwu	6	3
Wang Zhenjun	6	4
Li Chaoyang (resigned after the Reporting Period)	6	6
Du Ping (resigned during the Reporting Period)	5	3
Zhang Jinghua (resigned during the Reporting Period)	0	0
Liu Feng (resigned during the Reporting Period)	0	0

### (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 its implementation, to review and monitor the Company’s policies regarding compliance with laws and regulatory rules as well as its implementation, to monitor the effective implementation of risk and compliance management by the management of the Company and to evaluate the performance of the senior management in charge of risk and compliance management, and other matters as authorized by the Board. For the specific duties and responsibilities of the 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 3 meetings and preliminarily reviewed the annual and interim compliance reports, the report of risk management and anti-money laundering work report, made recommendations on the mandate by the Board to the president. The Committee effectively assisted the Board in carrying out its work and provided support for the Board in its decision-making.

## SECTION IX CORPORATE GOVERNANCE REPORT

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

- (1) On 5 March 2018, the 10th 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 of the Company for 2017”, the “Proposal for Reviewing the Interim Compliance Report of the Company for 2018”, the “Work Report on Anti-money Laundering of China Galaxy Securities Co., Ltd. for 2017”, the “Report on Risk Management of China Galaxy Securities Co., Ltd. for 2017”, the “Proposal for Reviewing the Authorization by the Board to the President”, and the duty performance report of the Compliance and Risk Management Committee of the Board for 2017 were preliminarily reviewed and approved for submission to the Board for review.
- (2) On 26 June 2018, the 11th meeting of the Compliance and Risk Management Committee under the third session of the Board was held, at which the “Proposal for Reviewing the Rectification Plan of China Galaxy Securities Co., Ltd. for the Anti-money Laundering On-site Inspection of the People’s Bank of China” were preliminarily reviewed and approved for submission to the Board for review; and the report on the risk situation of the Company’s self-operated business and the report on the Company’s litigation and dispute cases were heard.
- (3) On 21 August 2018, the 12th 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 of the Company for 2018” was preliminarily reviewed and approved for submission to the Board for review.

### 3. Attendance of members at meetings during the Reporting Period

Name of members	Required attendance at meetings	Actual attendance
Shi Xun (resigned after the Reporting Period)	3	3
Gu Weiguo	3	2
Liu Dingping	3	3
Wu Chengming (resigned after the Reporting Period)	3	3
Wang Zhenjun	3	2
Li Chaoyang (resigned after the Reporting Period)	3	3
Du Ping (resigned during the Reporting Period)	3	2
Zhang Jinghua (resigned during the Reporting Period)	0	0
Liu Feng (resigned during the Reporting Period)	0	0

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### (iii) Nomination and Remuneration Committee

#### 1. Functions of the Committee

The main duties and responsibilities of the Nomination and Remuneration Committee are: to make recommendations to the Board on the size and composition of the Board and the Board committees based on the operations, the total amount of assets and the equity structure of the Company, to make recommendations to the Board on the number and composition of the senior management based on the Company's requirements of business operation as well as the requirements of the regulatory authorities, to review the selection criteria and procedures for Directors and senior management and to make recommendations to the Board, to search broadly for qualified individuals as candidates for Directors and senior management, to conduct review of the qualifications and conditions of the candidates for Directors based on the selection criteria and procedures and to make recommendations to the Board, to review the qualifications and conditions of the candidates for general manager (president), chief compliance officer and secretary to the Board as nominated by the chairman, as well as the candidates for vice general manager (vice president), chief financial officer and other senior management officers as nominated by the general manager (president), based on the selection criteria and procedures and to make recommendations to the Board, to make recommendations to the Board on the candidates for members of other special committees under the Board, to formulate development plans of the senior management and training plans of key candidates and to make recommendations to the Board, to review and provide opinions on the assessment and remuneration management systems for Directors and senior management, to formulate the criteria and the 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 other matters as authorized by the Board. For specific duties and responsibilities of the Nomination and Remuneration Committee, please refer to the "Rules of Procedure of the Nomination and Remuneration Committee of the Board of Directors of the Company", which have been published on the website of the Company and the HKExnews website.

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

During the Reporting Period, the Nomination and Remuneration Committee convened 3 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 5 March 2018, the 16th 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 for 2017" was preliminarily reviewed and approved for submission to the Board for review.
- (2) On 19 October 2018, the 17th meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the "Proposal on the Change of Joint Company Secretary and Authorized Representative of China Galaxy Securities Co., Ltd." was preliminarily reviewed and approved for submission to the Board for review.

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- (3) On 14 December 2018, the 18th meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the Committee preliminarily reviewed the resumes and conditions of Ms. Xiao Lihong, Mr. Zhang Tianli, Ms. Liu Chun and Ms. Wang Zelan, and agreed to recommend Ms. Xiao Lihong and Mr. Zhang Tianli as the candidates for Directors of the Company, and agreed to recommend Ms. Liu Chun as the candidate for independent Director of the Company; the Committee preliminarily reviewed the resumes and conditions of Mr. Liang Shipeng, and agreed to recommend Mr. Liang Shipeng as the candidate for chief compliance officer of the Company; and the “Proposal for the Remuneration Settlement Plan of Senior Management for 2017” was preliminarily reviewed and approved for submission to the Board for review.

### 3. Attendance of members at meetings during the Reporting Period

Name of members	Required attendance at meetings	Actual attendance
Liu Ruizhong	3	3
Luo Lin (resigned after the Reporting Period)	3	3
Wu Yuwu	3	3
Wang Zhenjun	3	3
Shi Xun (resigned after the Reporting Period)	3	3
Li Chaoyang (resigned after the Reporting Period)	3	3
Liu Feng (resigned during the Reporting Period)	0	0

#### (iv) Audit Committee

##### 1. Functions of the Committee

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

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

The Audit Committee held a total of 8 meetings, at which the Committee mainly studied and reviewed the annual report for 2017 and the interim report for 2018, the internal control self-assessment report for 2017, the social responsibility report for 2017, the environmental, social and governance report for 2017 and the quarterly reports of the Company; and listened to the progress in external audit and audit report by Deloitte Touche Tohmatsu, and the quarterly work report of information on related parties.

## SECTION IX CORPORATE GOVERNANCE REPORT

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

- (1) On 5 March 2018, the 20th meeting of the Audit Committee under the third session of the Board was held, at which the “2017 Compliance Management Effectiveness Assessment Report”, the “Request for Instruction on the Appointment of External Auditors of the Company for 2018”, the “Request for Continued Appointment of an Intermediary to Complete the Audit of Branches in 2018”, the “Request for Instruction on the Work Plan of Internal Audit and the Financial Plan of Department in 2018”, the “Report on the Information Work of Connected Parties in the Fourth Quarter of 2017” were considered and approved; the “Proposal for Reviewing the Final Accounts Plan of China Galaxy Securities Co., Ltd. for 2017”, the “Proposal for Reviewing the Annual Report of China Galaxy Securities Co., Ltd. for 2017”, the “Proposal for Reviewing the Social Responsibility & Environmental, Social and Governance Report of China Galaxy Securities Co., Ltd. for 2017”, the “Proposal for Reviewing the Amendments to the Major Accounting Policies and Accounting Estimates of China Galaxy Securities Co., Ltd.”, the “Special Report on the Deposit and the Actual Utilization of the Proceeds Raised by the Company”, the “Proposal for Reviewing the Report on the Internal Control Appraisal of the Company for 2017”, the “Duty Performance Report of the Audit Committee of the Board of Directors for 2017” were preliminarily reviewed and approved for submission to the Board for review; and the report of external auditors on the audit work for 2017 was heard.
- (2) On 19 April 2018, the 21st meeting of the Audit Committee under the third session of the Board was held, at which the “First Quarterly Report for 2018” and the “Request for Instruction on the Appointment of External Auditors of the Company for 2018” were preliminarily reviewed and approved for submission to the Board for review; and the “Report on the Information Work of Connected Parties in the Fourth Quarter of 2017” was heard.
- (3) On 9 July 2018, the 22nd meeting of the Audit Committee under the third session of the Board was held, at which the “Request for Instruction on the Work Related to Bidding for External Audit Project in 2019” was considered and approved.
- (4) On 18 July 2018, the 23rd meeting of the Audit Committee under the third session of the Board was held, at which the “Proposal for Reviewing the Participation by China Galaxy Securities Co., Ltd. of the Joint Bidding for the Construction of Commercial Buildings in Beijing Lize Business District”, the “Proposal for the Intention to Acquire from Galaxy Financial Holdings its 50% Equity Interest in Galaxy Fund Management Co., Ltd. by Cash”, and the “Proposal for Reviewing the Connected Transaction in relation to the Acceptance by Galaxy Futures of the Transfer of the Equity Interest in Galaxy Derivatives Held by Galaxy Financial Holdings” were preliminarily reviewed and approved for submission to the Board for review.
- (5) On 21 August 2018, the 24th 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 Second Quarter of 2018” was considered and approved; and the “Interim Report for 2018” was preliminarily reviewed and approved for submission to the Board for review; and the report of auditors on the interim review for 2018 was heard.
- (6) On 27 September 2018, the 25th meeting of the Audit Committee under the third session of the Board was held, at which the “Proposal on Audit Management for 2017” was considered and approved; and the “Proposal for Reviewing the Right of First Refusal Exercised by the Company to Acquire 16.68% Shares of Galaxy Futures Held by Suhuang Financial Futures Asia Co., Ltd. and the Execution of the Sale and Purchase Agreement” was preliminarily reviewed and approved for submission to the Board for review.



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- (7) On 29 October 2018, the 26th meeting of the Audit Committee under the third session of the Board was held, at which the “Proposal for Reviewing the Third Quarterly Report of the Company for 2018” 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 2018” was heard.
- (8) On 14 December 2018, the 27th meeting of the Audit Committee under the third session of the Board was held, at which the “Proposal on the Renewal of the Securities and Financial Services Framework Agreement between the Company and Galaxy Financial Holdings and the Determination of the Caps on Connected Transactions for 2019-2021” and the “Proposal for the Amendments to the Internal Audit Management System” were preliminarily reviewed and approved for submission to the Board for review; and the nomination of Zhuang Yaming as the general manager of the Audit department were agreed and submitted to the Board for appointment.

### 3. Attendance of members at meetings during the Reporting Period

Name of members	Required attendance at meetings	Actual attendance
Luo Lin (resigned after the Reporting Period)	8	8
Wu Yuwu	8	8
Liu Ruizhong	8	7
Wang Zhenjun	8	8
Shi Xun (resigned after the Reporting Period)	8	8
Liu Dingping	8	8
Zhang Jinghua (resigned during the Reporting Period)	0	0
Liu Feng (resigned during the Reporting Period)	0	0

## 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 10 meetings in 2018, details of the meetings are as follows:

1. On 5 February 2018, the first extraordinary meeting of the third session of the Supervisory Committee of 2018 was convened, at which it reviewed and approved the “Proposal for the Cancellation of the Submission of the Request for Reviewing the Remuneration Allocation Plan of Mr. Zhong Cheng for 2015-2016 to the First Extraordinary General Meeting of 2018 for Review”.
2. On 7 February 2018, the second extraordinary meeting of the third session of the Supervisory Committee of 2018 was convened, at which it reviewed and approved the “Proposal on Request for Reviewing the Report on the Audit of Economic Responsibility of Wang Liuqi, the Business Director of the Company’s Equity Financing Business Line (Resigned) during his Term of Service”.

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3. On 28 March 2018, the first meeting (regular) of the third session of the Supervisory Committee of 2018 was convened, at which it reviewed and approved the “Work Report of the Supervisory Committee of China Galaxy Securities Co., Ltd. for 2017”, the “Final Accounts Plan of China Galaxy Securities Co., Ltd. for 2017”, the “Profit Distribution Plan of China Galaxy Securities Co., Ltd. for 2017”, the “Annual Report of China Galaxy Securities Co., Ltd. for 2017”, the “Internal Control Assessment Report of China Galaxy Securities Co., Ltd. for 2017”, the “Compliance Report of China Galaxy Securities Co., Ltd. for 2017”, the “Risk Management Report of China Galaxy Securities Co., Ltd. for 2017”, the “Special Report on the Deposit and the Actual Utilization of the Proceeds Raised by the Company”, the “Social Responsibility & Environmental, Social and Governance Report of China Galaxy Securities Co., Ltd. for 2017” and the “Proposal for Reviewing the Amendments to the Major Accounting Policies and Accounting Estimates of China Galaxy Securities Co., Ltd.”.
4. On 26 April 2018, the third extraordinary meeting of the third session of the Supervisory Committee of 2018 was convened, at which it reviewed and approved the “Proposal for Reviewing the First Quarterly Report of China Galaxy Securities Co., Ltd. for 2018”.
5. On 18 July 2018, the fourth extraordinary meeting of the third session of the Supervisory Committee of 2018 was convened, at which it reviewed and approved the “Proposal for Reviewing the Opinion on the Connected Transaction in relation to the Participation by China Galaxy Securities Co., Ltd. of the Joint Bidding for the Construction of Commercial Buildings in Beijing Lize Business District” and the “Proposal for Reviewing the Opinion on the Connected Transaction in relation to the Intention to Acquire from Galaxy Financial Holdings its 50% Equity Interest in Galaxy Fund Management Co., Ltd. by Cash”.
6. On 26 July 2018, the fifth extraordinary meeting of the third session of the Supervisory Committee of 2018 was convened, at which it reviewed and approved the “Proposal for Reviewing the Opinion on the Connected Transaction in relation to the Acceptance by Galaxy Futures of the Transfer of the Equity Interest in Galaxy Derivatives Held by Galaxy Financial Holdings”.
7. On 30 August 2018, the second meeting (regular) of the third session of the Supervisory Committee of 2018 was convened, at which it reviewed and approved the “Proposal for Reviewing the Interim Report of the Company for 2018”.
8. On 27 September 2018, the sixth extraordinary meeting of the third session of the Supervisory Committee of 2018 was convened, at which it reviewed and approved the “Proposal for Reviewing the Opinion on the Connected Transaction in relation to the Right of First Refusal Exercised by the Company to Acquire 16.68% Shares of Galaxy Futures Held by Suhuang Financial Futures Asia Co., Ltd. and the Execution of the Sale and Purchase Agreement”.
9. On 30 October 2018, the seventh extraordinary meeting of the third session of the Supervisory Committee of 2018 was convened, at which it reviewed and approved the “Proposal for Reviewing the Third Quarterly Report of the Company for 2018”.
10. On 21 December 2018, the eighth extraordinary meeting of the third session of the Supervisory Committee of 2018 was convened, at which it reviewed and approved the “Proposal for the Remuneration Settlement Plan of Specialized Supervisor, Zhong Cheng for 2015, 2016 and 2017”, the “Proposal for the Recommendation of Ms. Fang Yan as the Candidate for Supervisor of the Company” and considered and approved the “Proposal for Reviewing the Opinion on the Connected Transaction in relation to the Renewal of the Securities and Financial Services Framework Agreement between the Company and Galaxy Financial Holdings and the Determination of the Caps on Connected Transactions for 2019-2021”.

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

Name of Supervisors	Position	Required		Of which:	
		attendance during the year	Actual attendance	On-site attendance	Attendance by telephone
Chen Jing	Chairman of the Supervisory Committee	10	10	9	1
Zhong Cheng (resigned after the Reporting Period)	Supervisor	10	10	10	10
Liu Zhiyi	Employee Supervisor	10	10	10	10
Chen Jijiang	Employee Supervisor	10	10	10	10
Tao Libin	External Supervisor	10	10	9	1
Number of Supervisory Committee meetings convened during the year				10	
Of which	On-site attendance meetings held			9	
	On-site and telephone attendance meetings held			1	

### (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. The Supervisory Committee has no objection to the supervisory matters during the Reporting Period.

### (iv) Supervisor trainings

Date of training	Training contents	Training participants
23 May 2018	The first special training course of 2018 for directors and supervisors of listed companies within the territory of Beijing	Chen Jing, Zhong Cheng, Liu Zhiyi, Chen Jijiang
29 November 2018	The seventh special training course of 2018 for directors and supervisors of listed companies within the territory of Beijing	Tao Libin
13-14 December 2018	The fourth seminar of 2018 for the chairman of supervisory committee of listed companies held by China Association of Listed Companies	Chen Jing
28-29 June 2018	The advanced seminar on the "National Supervisory Committee Work System and Supervision and Inspection Practice and Professional Training" held by China Enterprise Training (Beijing) Corporate Culture Exchange Center	Chen Jing

## SECTION IX CORPORATE GOVERNANCE REPORT

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

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

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

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

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 2018), 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.

## SECTION IX CORPORATE GOVERNANCE REPORT

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

In accordance with the “Basic Internal Control Norms for Enterprises” and the “Supporting Guidelines on Internal Control of Companies” jointly issued by the Ministry of Finance, the CSRC, the Audit Office, the CBRC and the CIRC, the “Guidelines on Internal Control of Securities Companies” issued by the CSRC and the “Guidelines on Internal Control of Listed companies on Shanghai Stock Exchange” issued by the SSE, the 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.

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, the Group timely tracked the regulatory changes, and based on the relevant stipulations and the latest requirements of the regulatory department, made amendments to the relevant business systems, ancillary detailed rules, and customer suitability management, compliance management and risk management systems, anti-money laundering and counter-terrorism financing of the Company, which ensured the healthy development of all businesses subject to compliance with laws and regulations and under controllable risks. At the same time, through the effective strengthening of the unified management and control of subsidiaries, we realized the full coverage of compliance and risk management in subsidiaries, effectively preventing conflicts of interest and benefit transfer.

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 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.

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

## SECTION IX CORPORATE GOVERNANCE REPORT

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

The Company has a mechanism for internal control governance. The audit department of the Company conducts audit 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 2018), 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

### (i) Development of Compliance Management System

During the Reporting Period, the development of compliance management system 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 multilevel 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.

## SECTION IX CORPORATE GOVERNANCE REPORT

### **2. Cultivate the awareness of compliance among all employees, and focus on strengthening the basic work of compliance management**

The Company held a labor skill competition for employees with the theme of “advocating craftsmanship, consolidating the cornerstone for compliance, and promoting business development”. It effectively promoted the compliance culture, enhanced the sense of compliance among all employees, and improved the knowledge and compliance awareness of the Company’s employees in compliance management. The Company establishes a continuous compliance training system involving all employees as a means to incorporate the compliance awareness into the behavior benchmarks of employees at all levels. During the year, compliance management personnel from the legal compliance department, business departments and branches were trained to improve the compliance management capabilities of frontline compliance personnel. The Company is committed to strengthening the basic work of compliance management. On the one hand, it continuously strengthened the compliance review and compliance inspection, optimized the allocation of compliance resources, and uses regulatory requirements and regulatory inspections as the driving force to prevent the risk of material violations of laws and regulations in its major business. On the other hand, the Company continuously sorted out the internal management system and work processes, achieved comprehensive coverage of compliance management, and focused on strengthening compliance management of wealth management business, investment and financing business, branches and subsidiaries.

### **3. Adhere to the “risk-based” anti-money laundering management, and increase the management standard of the Chinese walls, conflicts of interest and employees’ professional conduct**

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 improving customer account information for the Company’s historical stock account; cooperating with the People’s Bank of China to actively respond to FATF mutual assessment; conducting multi-dimensional assessment and inspection, strengthening money laundering risk management; continuously optimizing system functions and enhancing anti-money laundering management informatization level; and commencing continuous publicity and training to establish anti-money laundering compliance culture.

The Company continuously increased the management standard of Chinese walls and conflicts of interest, formulated the “Implementation Rules for Management of Conflict of Interest”, and revised several rules and regulations including the “Measures for the Management of Chinese Walls”, the “Implementation Rules for Cross-Wall Behavior Management” and the “Implementation Rules for the Management of Individual Investment Behaviors”. The Company conducted special inspections of Chinese walls, conflicts of interest and employees’ investment behaviors within the system, organized special training on Chinese walls, conflicts of interest and employees’ investment behaviors for collaborative business, regularly checked the opening of employee accounts, and carried out daily compliance monitoring on Chinese walls and investment behaviors of employees.

#### **(ii) Inspections completed by compliance authorities**

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, compliance inspection for the commencement of investment banking business, compliance inspection for the release of securities research report business, anti-money laundering inspection for each line of business and branches, and inspection of conflicts of interest and Chinese walls.

## SECTION IX CORPORATE GOVERNANCE REPORT

### (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 218 audit projects, including an annual self-evaluation on the internal control of the Company, an annual assessment on the compliance effectiveness and an annual assessment on the effectiveness of overall risk management. There were 11 audit projects including the audit on the Company's own fund management and investment effectiveness, audit on securities investment fund custody business, audit on internal control of related party transactions, audit on internal control of information technology management, audit on use of funds raised by A Shares, and audit on out-going persons-in-charge of seven departments of research institute, including the institutional customer department, investment management department and investment bank; 3 audit projects of the internal control of subsidiaries and their out-going persons-in-charge; 12 audit projects of the internal control of branches and their out-going persons-in-charge; 103 audit projects of the internal control of securities business departments and 85 audit projects of economic liabilities of persons-in-charge of securities business departments; 4 special audit projects of ad hoc events.

## 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.

### (iv) Appointment and remuneration of auditing firms

With the approval by the 2017 annual general meeting, the Company resolved to re-appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the Company's external auditors for 2018 to be responsible for the provision of related audit services and review services in accordance with the PRC Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively.

Are there any change in the accounting firms appointed: No



## SECTION IX CORPORATE GOVERNANCE REPORT

Name of the PRC accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Signing auditors	Guo Xinhua and Ma Xiaobo (2011: Wang Pengcheng, Zheng Wei, 2012: Gu Jun and Fu Shanshan, 2013: Gu Jun and Ma Qiang, 2014: Lv Jing and Ma Qiang; 2015: Lv Jing and Ma Qiang; 2016: Man Kai Sze and Ma Qiang; 2017: Man Kai Sze and Ma Xiaobo)
Duration of service	8 years
Name of the international accounting firm	Deloitte Touche Tohmatsu
Duration of service	6 years

Remuneration for the accounting firm: In accordance with the resolutions passed at the 2017 annual general meeting, the annual external audit fee of the Company in 2018 amounted to RMB6.10 million, in which the agreed-upon procedure fee of A Shares in the first quarter and the third quarter amounted to RMB0.50 million, the interim report review fee amounted to RMB1.50 million, the annual audit fee amounted to RMB3.10 million (including annual internal audit fee amounted RMB0.35 million) and relevant audit service fee amounted RMB1 million. In 2018, the Company paid Deloitte Touche Tohmatsu Certified Public Accountant LLP and Deloitte Touche Tohmatsu an annual audit fee of RMB1.20 million.

### (v) Review by the Audit Committee

The Audit Committee has reviewed the 2018 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, 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 Ms. Mok Ming Wai, a director and the head of the listing services department of TMF Hong Kong Limited, as our joint company secretary. Since Ms. Mok's resignation as the joint company secretary of the Company, 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 our joint company secretary with effect from 30 October 2018. The main contact person of the Company is Mr. Wu Chengming, an executive Director and secretary to the Board.

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

### (vii) Communication with shareholders

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

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

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

## SECTION IX CORPORATE GOVERNANCE REPORT

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 2018 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 2018, the Company strengthened communication and contact with the general public of domestic and overseas shareholders, potential investors, investment bank analysts and fund managers, and received over 300 person-times of all types of investors, analysts and fund managers for the whole year through participation in investment bank summits, reception of visitors, phone conference of one-to-one and one-to-many formats, phone and email communications etc. Also, the chairman of the Board, general manager and the relevant senior management staff of the Company attended the event for the release of performance results, phone conferences with analysts etc, to help investors to understand the Company and timely answered the queries of investors, seriously listened to the opinions and suggestions of investors to ensure that all investors could fully exercise their own rights and safeguard their legitimate interests. During the Reporting Period, the Company disclosed information truly, accurately, completely and timely according to the laws, regulations and regulatory requirements to ensure that investors would know the important matters of the Company in a timely manner, protecting the investors' interests to the greatest extent.

### **(ix) Board member diversity policy**

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

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

The Board Diversity Policy shall be complied with when the Nomination and Remuneration Committee makes recommendations on the candidates. The Nomination and Remuneration Committee of the Board of Directors is responsible for monitoring the implementation of the Diversity Policy. It reviews the policy on a regular basis and discusses all the measurable objectives of the Board of Directors' diversity each year. It also proposes relevant targets to the Board. During the Reporting Period, the Company has taken the diversification into consideration when nominating new directors. In particular, three women were appointed to the Board, which facilitated the gender diversity. During the nomination of new directors, the Company also considered their extensive experience in the securities market, business administration, financial management and risk monitoring, legal and compliance.

## SECTION IX CORPORATE GOVERNANCE REPORT

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

Gender		Age		
Male	Female	50 to 59	60 to 69	
7 persons	3 persons	7 persons	3 persons	

Position			Term of serving director	
Executive Director	Non-executive Director	Independent non-executive Director	Less than 5 years	6 to 10 years
2 persons	4 persons	4 persons	8 persons	2 persons

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

During the Reporting Period, the Company revised the provisions of the Articles of Association with respect to the compliance responsibilities of the Board of Directors, the Supervisory Committee and senior management personnel, the duties of the chief compliance officer, the conditions and procedures of his appointment and removal, and the name of the Risk Management Committee and its compliance duties. The Company has specified that it can make external investment in setting up subsidiaries to engage in private equity investment fund business and alternative investment business. These amendments have been approved by the first extraordinary general meeting of 2018 held on 9 February 2018.

## 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 144 to 277, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and 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 2018, 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

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

## SECTION X INDEPENDENT AUDITOR'S REPORT

### Key audit matter

#### Consolidation of structured entities

We identified the consolidation of structured entities as a key audit matter. As disclosed in Note 51 to the consolidated financial statements, the total net assets of the consolidated structured entities, which the Group acted as an asset manager, or both as an asset manager and investor, are RMB12,201 million as at 31 December 2018 which are significant to the consolidated financial statements.

As disclosed in Note 3 to the consolidated financial statements, to determine 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, and etc. The assessment involves significant judgement and estimation of the 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.

### How our audit addressed the key audit matter

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

- Testing and evaluating the effectiveness of 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.

## SECTION X INDEPENDENT AUDITOR'S REPORT

### Key audit matter

### How our audit addressed the key audit matter

#### Measurement of expected credit losses ("ECL")

We identified the measurement of ECL as a key audit matter. As disclosed in Note 58 and Note 61.1 to the consolidated financial statements, as at 31 December 2018, the total carrying amounts of financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income held by the Group are RMB177,286 million, and the loss allowance that has been recognized for these financial assets on the basis of ECL are RMB646 million, which are significant to the consolidated financial statements.

As disclosed in Note 2.1.1 to the consolidated financial statements, the Group has applied IFRS 9 *Financial Instruments* since 1 January 2018, and recognized impairment losses on financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income on the basis of ECL. To measure the ECL, 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.

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

#### Valuation of financial instruments measured at Level 3 fair value

We identified the valuation of financial instruments measured at Level 3 fair value as a key audit matter. As at 31 December 2018, the Group holds financial instruments measured at fair value of RMB85,819 million, among which RMB5,631 million were measured at Level 3 fair values as disclosed in Note 62 to the consolidated financial statements, which are 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 the 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.

Our procedures in relation to management's measurement of ECL included:

- Testing and evaluating the effectiveness of key controls of management on the measurement of ECL;
- Assessing the management's judgement on determination of significant increase in credit risk;
- Evaluating the critical assumptions, input and parameters used in the model by the management;
- On a sample basis, examining significant data inputs into the ECL model, including probability of default, loss given default and forward looking information; and
- For a sample of credit-impaired asset, assessing the loss allowance computed by the management with reference to financial information of borrowers and guarantors, and the fair value of collaterals, as appropriate.

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

- Testing and evaluating the effectiveness of key controls of management on the valuation of financial instruments measured at Level 3 fair value;
- Evaluating the appropriateness and consistency of the valuation techniques used by the management;
- Testing and evaluating the appropriateness of the relevant assumptions and inputs used;
- Evaluating the competency of the valuation experts used by the management, and performing independent valuation of financial instruments measured at Level 3 fair value on a sample basis to evaluate the appropriateness of the management's valuation.

## SECTION X INDEPENDENT AUDITOR'S REPORT

### OTHER INFORMATION

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

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

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

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

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

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

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

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

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

## SECTION X INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Shi Chung Fai.

#### **Deloitte Touche Tohmatsu**

Certified Public Accountants  
Hong Kong  
27 March 2019



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2018	2017
Revenue			
Commission and fee income	6	5,050,751	6,355,074
Interest income	7	9,480,579	7,344,019
Net investment gains	8	945,801	2,256,361
		<b>15,477,131</b>	15,955,454
Other income, gains and losses	9	757,839	30,383
Total revenue, gains and other income		<b>16,234,970</b>	15,985,837
Depreciation and amortization	10	(218,485)	(216,470)
Staff costs	11	(3,484,571)	(4,100,538)
Commission and fee expenses	12	(245,372)	(269,874)
Interest expenses	13	(6,035,890)	(4,357,613)
Other operating expenses	14	(2,157,633)	(1,550,578)
Impairment losses, net of reversal	15	(408,348)	(682,109)
Total expenses		<b>(12,550,299)</b>	(11,177,182)
Share of result of a joint venture		(2,577)	–
Profit before income tax		<b>3,682,094</b>	4,808,655
Income tax expense	16	(750,357)	(789,681)
Profit for the year		<b>2,931,737</b>	4,018,974
Profit for the year attributable to:			
Owners of the Company		<b>2,887,127</b>	3,980,730
Non-controlling interests		<b>44,610</b>	38,244
		<b>2,931,737</b>	4,018,974
Earnings per share (Expressed in RMB yuan per share)			
– Basic	17	<b>0.28</b>	0.39

The notes on pages 152 to 277 form an integral part of these consolidated financial statements.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

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

FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2018	2017
Profit for the year	2,931,737	4,018,974
Other comprehensive (expense)/income includes:		
<b>Items that will not be reclassified to profit or loss:</b>		
Fair value losses on investments in equity instruments measured at fair value through other comprehensive income	(938,759)	–
Income tax effect on changes in fair value	234,690	–
Remeasurement of defined benefit obligation	(31,655)	(6,648)
Share of other comprehensive income of a joint venture, net of income tax	391	–
	(735,333)	(6,648)
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences arising on translation of foreign operations	125,621	(99,256)
Available-for-sale financial assets:		
Fair value gains arising during the year	–	52,179
Reclassification of net gains to profit or loss upon disposals	–	(335,878)
Reclassification of losses to profit or loss upon impairment	–	639,320
Income tax that may be reclassified subsequently	–	(88,905)
	–	266,716
Debt instruments measured at fair value through other comprehensive income:		
Fair value changes arising during the year	546,895	–
Reclassification adjustments included in profit or loss	(22,314)	–
Income tax that may be reclassified subsequently	(131,145)	–
	393,436	–
Fair value losses on hedging instruments designated in cash flow hedges	(20,205)	–
Share of other comprehensive expense of a joint venture, net of income tax	(5,519)	–
Other comprehensive (expense)/income for the year, net of tax	(242,000)	160,812
Total comprehensive income for the year	2,689,737	4,179,786
Total comprehensive income attributable to:		
Owners of the Company	2,645,127	4,141,542
Non-controlling interests	44,610	38,244
	2,689,737	4,179,786

The notes on pages 152 to 277 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 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

		As at 31 December	
	Notes	2018	2017
<b>ASSETS</b>			
Non-current assets			
Property and equipment	19	364,496	381,079
Investment properties	20	8,231	–
Goodwill	21	223,278	223,278
Other intangible assets	22	391,667	385,796
Interest in a joint venture	23	876,823	–
Financial assets measured at fair value through profit or loss	24	5,542,834	–
Financial assets held under resale agreements	25	18,630,062	23,916,025
Available-for-sale financial assets	26	–	15,186,366
Debt instruments measured at fair value through other comprehensive income	27	101,603	–
Equity instruments measured at fair value through other comprehensive income	28	9,777,435	–
Debt instruments measured at amortized cost	29	4,435,395	–
Held-to-maturity investments	30	–	1,419,541
Investments classified as loan and receivables	31	–	2,736,282
Other receivables and prepayments	32	1,088,840	–
Deposits with exchanges and a non-bank financial institution	33	511,701	484,838
Deferred tax assets	34	477,454	168,048
<b>Total non-current assets</b>		<b>42,429,819</b>	44,901,253
Current assets			
Advances to customers	35	44,631,943	60,063,731
Accounts receivable	36	643,112	1,002,842
Tax recoverable		169,442	565,577
Other receivables and prepayments	32	591,915	4,028,350
Financial assets measured at fair value through profit or loss	24	54,795,447	29,010,296
Financial assets held under resale agreements	25	21,337,012	14,340,106
Available-for-sale financial assets	26	–	18,874,475
Debt instruments measured at fair value through other comprehensive income	27	17,197,627	–
Debt instruments measured at amortized cost	29	626,383	–
Held-to-maturity investments	30	–	2,125,632
Investments classified as loan and receivables	31	–	2,247,865
Derivative financial assets	37	76,291	22,936
Deposits with exchanges and a non-bank financial institution	33	4,764,126	5,351,712
Clearing settlement funds	38	12,686,543	12,538,492
Bank balances	39	51,413,631	59,741,699
<b>Total current assets</b>		<b>208,933,472</b>	209,913,713
<b>Total assets</b>		<b>251,363,291</b>	254,814,966

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
		2018	2017
<b>EQUITY AND LIABILITIES</b>			
Equity			
Share capital	40	10,137,259	10,137,259
Reserves	41	39,764,606	38,498,827
Retained profits	41	16,080,223	15,876,941
Equity attributable to owners of the Company		65,982,088	64,513,027
Non-controlling interests		355,773	373,406
<b>Total equity</b>		<b>66,337,861</b>	64,886,433
Liabilities			
Non-current liabilities			
Bonds payable	42	43,056,018	45,739,475
Financing instrument payables	43	3,243,512	4,180,190
Financial liabilities measured at fair value through profit or loss	44	823,059	25,370
Other payables and accruals	45	2,096,097	3,156,971
Deferred tax liabilities	34	10,096	6,581
<b>Total non-current liabilities</b>		<b>49,228,782</b>	53,108,587
Current liabilities			
Bonds payable	42	26,672,988	16,014,798
Due to banks and other financial institutions	46	5,012,664	3,050,331
Financing instrument payables	43	13,289,357	25,274,330
Accounts payable to brokerage clients	47	56,695,274	64,787,132
Accrued staff costs	48	2,591,519	3,389,597
Other payables and accruals	45	2,614,896	5,145,580
Current tax liabilities		10,958	63,683
Financial liabilities measured at fair value through profit or loss	44	635,639	243,121
Derivative financial liabilities	37	213,413	135,150
Financial assets sold under repurchase agreements	49	28,059,940	18,716,224
<b>Total current liabilities</b>		<b>135,796,648</b>	136,819,946
<b>Total liabilities</b>		<b>185,025,430</b>	189,928,533
<b>Total equity and liabilities</b>		<b>251,363,291</b>	254,814,966
<b>Net current assets</b>		<b>73,136,824</b>	73,093,767
<b>Total assets less current liabilities</b>		<b>115,566,643</b>	117,995,020

The notes on pages 152 to 277 form an integral part of these consolidated financial statements.

Approved and authorized for issue by the Board of Directors on 27 March 2019 and are signed on its behalf by:

**Chen Gongyan**

DIRECTOR

**Liu Dingping**

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 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	Equity attributable to owners of the Company										
	Reserves									Non-controlling interests	Total equity
	Share capital	Capital reserve	Investment revaluation reserve	Cash flow hedging reserve	Translation reserve	General reserve	Other reserves	Retained profits	Subtotal		
At 1 January 2017	9,537,259	21,673,175	(435,705)	-	113,384	12,552,109	(26,638)	14,574,962	57,988,546	365,353	58,353,899
Profit for the year	-	-	-	-	-	-	-	3,980,730	3,980,730	38,244	4,018,974
Other comprehensive income/(expense) for the year	-	-	266,716	-	(99,256)	-	(6,648)	-	160,812	-	160,812
Total comprehensive income/(expense) for the year	-	-	266,716	-	(99,256)	-	(6,648)	3,980,730	4,141,542	38,244	4,179,786
Issuance of new shares	600,000	3,486,000	-	-	-	-	-	-	4,086,000	-	4,086,000
Transaction costs attributable to issue of new shares	-	(131,786)	-	-	-	-	-	-	(131,786)	-	(131,786)
Appropriation to general reserves	-	-	-	-	-	1,107,476	-	(1,107,476)	-	-	-
Dividends recognized as distribution (Note 18)	-	-	-	-	-	-	-	(1,571,275)	(1,571,275)	-	(1,571,275)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(30,191)	(30,191)
At 31 December 2017	10,137,259	25,027,389	(168,989)	-	14,128	13,659,585	(33,286)	15,876,941	64,513,027	373,406	64,886,433
Effect of adoption of IFRS 9 (Note 2)	-	-	635,185	-	-	-	-	(590,287)	44,898	-	44,898
At 1 January 2018 (Restated)	10,137,259	25,027,389	466,196	-	14,128	13,659,585	(33,286)	15,286,654	64,557,925	373,406	64,931,331
Profit for the year	-	-	-	-	-	-	-	2,887,127	2,887,127	44,610	2,931,737
Other comprehensive income/(expense) for the year	-	-	(310,633)	(20,205)	125,621	-	(36,783)	-	(242,000)	-	(242,000)
Total comprehensive income/(expense) for the year	-	-	(310,633)	(20,205)	125,621	-	(36,783)	2,887,127	2,645,127	44,610	2,689,737
Appropriation to general reserves	-	-	-	-	-	877,049	-	(877,049)	-	-	-
Dividends recognized as distribution (Note 18)	-	-	-	-	-	-	-	(1,216,471)	(1,216,471)	-	(1,216,471)
Change in ownership interest in a subsidiary	-	(4,493)	-	-	-	-	-	-	(4,493)	(62,243)	(66,736)
Transfer within equity	-	-	38	-	-	-	-	(38)	-	-	-
At 31 December 2018	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

The notes on pages 152 to 277 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 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2018	2017
OPERATING ACTIVITIES			
Profit before income tax		<b>3,682,094</b>	4,808,655
Adjustments for:			
Interest expenses	13	<b>6,035,890</b>	4,357,613
Share of results of a joint venture		<b>2,577</b>	–
Depreciation and amortization	10	<b>218,485</b>	216,470
Impairment losses, net of reversal	15	<b>408,348</b>	682,109
Gains on disposal of property and equipment and other intangible assets	9	<b>(965)</b>	(572)
Foreign exchange losses	9	<b>8,612</b>	10,095
Net realized gains from disposal of debt instruments measured at fair value through other comprehensive income	8	<b>(22,309)</b>	–
Interest income from debt instruments measured at fair value through other comprehensive income	7	<b>(839,630)</b>	–
Dividend income from equity instruments measured at fair value through other comprehensive income	8	<b>(711,374)</b>	–
Interest income from debt instruments measured at amortized cost	7	<b>(337,566)</b>	–
Unrealized fair value gains on financial assets measured at fair value through profit or loss		<b>(1,369,627)</b>	–
Unrealized fair value gains on financial liabilities measured at fair value through profit or loss		<b>(43,506)</b>	–
Unrealized fair value gains on derivative financial instruments		<b>(142,798)</b>	–
Net realized gains from disposal of available-for-sale financial assets	8	–	(366,565)
Dividend income and interest income from available-for-sale financial assets	8	–	(1,205,289)
Interest income from investments classified as loan and receivables	8	–	(159,552)
Interest income from held-to-maturity investments	8	–	(43,207)
Operating cash flows before movements in working capital		<b>6,888,231</b>	8,299,757
Decrease/(increase) in advances to customers		<b>17,893,065</b>	(4,604,673)
Increase in accounts receivable and other receivables and prepayments		<b>(190,451)</b>	(299,659)
Increase in financial assets held under resale agreements		<b>(1,621,329)</b>	(25,268,156)
(Increase)/decrease in financial assets measured at fair value through profit or loss and derivative financial assets		<b>(20,976,964)</b>	338,563
Decrease in deposits with exchanges and a non-bank financial institution		<b>590,524</b>	1,233,505
(Increase)/decrease in clearing settlement funds-clients		<b>(143,428)</b>	11,861,786
Decrease in cash held on behalf of customers		<b>8,201,458</b>	10,437,922
Decrease in accounts payable to brokerage clients, accrued staff costs and other payables and accruals		<b>(9,895,276)</b>	(24,940,846)
Increase/(decrease) in financial liabilities measured at fair value through profit or loss and derivative financial liabilities		<b>1,191,859</b>	(347,863)
Increase/(decrease) in financial assets sold under repurchase agreements		<b>9,263,379</b>	(5,778,429)
Increase in due to banks and other financial institutions		<b>1,500,000</b>	500,000
Cash from/(used in) operations		<b>12,701,068</b>	(28,568,093)
Income taxes paid		<b>(624,272)</b>	(791,261)
Interests paid		<b>(1,274,910)</b>	(1,180,823)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		<b>10,801,886</b>	(30,540,177)

## 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 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2018	2017
<b>INVESTING ACTIVITIES</b>			
Dividends and interest received from investments		<b>2,190,161</b>	1,242,268
Purchases of property and equipment and other intangible assets		<b>(1,342,827)</b>	(277,247)
Proceeds from disposals of property and equipment and other intangible assets		<b>10,387</b>	6,334
Capital injection to a joint venture		<b>(826,359)</b>	–
Purchases of financial assets measured at fair value through profit or loss		<b>(2,172,719)</b>	–
Proceeds from disposals of financial assets measured at fair value through profit or loss		<b>5,347,408</b>	–
Purchases of available-for-sale financial assets		–	(19,638,097)
Proceeds from disposals of available-for-sale financial assets		–	22,184,261
Purchases of held-to-maturity investments		–	(3,545,173)
Purchases of debt instruments measured at fair value through other comprehensive income		<b>(8,929,009)</b>	–
Proceeds from disposals of debt instruments measured at fair value through other comprehensive income		<b>7,710,218</b>	–
Purchases of equity instruments measured at fair value through other comprehensive income		<b>(1,190,000)</b>	–
Proceeds from disposals of equity instruments measured at fair value through other comprehensive income		<b>50,000</b>	–
Purchases of debt instruments measured at amortized cost		<b>(939,246)</b>	–
Proceeds from redemption of debt instruments measured at amortized cost		<b>2,016,238</b>	–
Purchases of investments classified as loan and receivables		–	(1,769,767)
Maturity of investments classified as loan and receivables		–	576,516
Placement of bank deposits with original maturity of more than three months		<b>(1,058,018)</b>	(972,745)
Maturity of bank deposits with original maturity of more than three months		<b>979,194</b>	1,835,638
<b>NET CASH FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>1,845,428</b>	(358,012)

## 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 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2018	2017
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of new A shares		–	4,086,000
Transaction costs paid on issuance of new A shares		–	(163,090)
Transaction costs paid on issuance of bonds	60	<b>(120,509)</b>	–
Proceeds from bonds issued	60	<b>25,700,000</b>	40,192,366
Repayment of bonds issued	60	<b>(19,515,423)</b>	(24,832,690)
Proceeds from financing instrument payables issued	60	<b>11,918,060</b>	29,454,520
Repayment of financing instrument payables issued	60	<b>(25,274,330)</b>	(11,518,110)
Proceeds from due to banks and other financial institutions	60	<b>3,007,995</b>	2,550,331
Repayment of due to banks and other financial institutions	60	<b>(2,550,331)</b>	(1,785,422)
Proceeds from third-party interests in consolidated structured entities	60	<b>38,189</b>	118,845
Repayment of third-party interests in consolidated structured entities	60	<b>(1,183,183)</b>	(1,299,988)
Interests paid in respect of bonds issued	60	<b>(1,944,077)</b>	(2,356,509)
Interests paid in respect of due to banks and other financial institutions	60	<b>(75,113)</b>	(40,784)
Interests paid in respect of financing instrument payables	60	<b>(1,835,279)</b>	(668,274)
Dividends paid	60	<b>(1,216,471)</b>	(1,571,275)
Dividends paid to non-controlling shareholders	60	<b>(27,171)</b>	(3,020)
Purchases of shares of a subsidiary		<b>(66,736)</b>	–
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>		<b>(13,144,379)</b>	32,162,900
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(497,065)</b>	1,264,711
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<b>9,026,394</b>	8,011,071
Effect of foreign exchange rate changes		<b>116,263</b>	(249,388)
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	50	<b>8,645,592</b>	9,026,394
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:</b>			
Interests received		<b>11,522,645</b>	7,752,488

The notes on pages 152 to 277 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 2018

(Amounts in thousands of Renminbi, unless otherwise stated)

### 1. GENERAL INFORMATION

Pursuant to the approval from the China Securities Regulatory Commission (the “CSRC”), China Galaxy Securities Co., Ltd. (the “Company”) was established in Beijing, the People’s Republic of China (the “PRC”) on 26 January 2007. In May 2013, the Company issued H shares which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). On 23 January 2017, the Company completed its A Share Offering of 600 million shares on Shanghai Stock Exchange.

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

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

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

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

### 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

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

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

In addition, the Group has early applied Amendments to IFRS 9 *Prepayment Features with Negative Compensation* which will be mandatorily effective for the Group for the financial year beginning on 1 January 2019.

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

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

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

##### 2.1.1 IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 *Financial Instruments*, Amendments to IFRS 9 *Prepayment Features with Negative Compensation* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that had not been derecognized as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that had already been derecognized as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognized in the opening retained profits and other components of equity, without restating the comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of IFRS 9 are disclosed in Note 3.

*Summary of effects arising from initial application of IFRS 9*

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

Notes	Available-for-sale financial assets RMB'000	Held-to-maturity investments RMB'000	Financial assets designated as at FVTPL RMB'000	Financial assets at FVTPL	Equity instruments at FVTOCI RMB'000	Debt instruments at FVTOCI RMB'000	Amortized cost (previously classified as loans and receivables)	Deferred tax assets/(liabilities) RMB'000	Investment revaluation reserve RMB'000	Retained profits RMB'000	Non-controlling interests RMB'000
				required by IAS 39/IFRS 9 RMB'000			classified as RMB'000				
Closing balance at 31 December 2017- IAS 39	34,060,841	3,545,173	5,760,592	23,249,704	-	-	186,200,998	161,467	(168,989)	15,876,941	373,406
Effect arising from initial application of IFRS 9:											
Reclassification											
From available-for-sale financial assets	(a) (34,060,841)			9,318,833	9,576,143	15,165,865			612,816	(612,816)	
From held-to-maturity investments		(b) (3,545,173)					3,545,173				
From designated as at FVTPL			(c) (5,760,592)	5,760,592			(2,477,316)				
From loans and receivables					(d) 2,477,316						
From financial assets at FVTPL				(c) (224,649)			224,649				
Remeasurement											
Impairment under ECL model							(e) (9,242)	2,310	22,369	(29,300)	
From cost less impairment to fair value					(a) 42,306			(10,577)		31,729	
From amortized cost to fair value					(d) 26,799			(6,699)		20,100	
Opening balance at 1 January 2018 – IFRS9	-	-	-	40,650,901	9,576,143	15,165,865	187,484,262	146,501	466,196	15,286,654	373,406

# SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

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

#### 2.1.1 IFRS 9 *Financial Instruments* (continued)

*Summary of effects arising from initial application of IFRS 9 (continued)*

(a) Available-for-sale (“AFS”) financial assets

*From AFS equity investments to fair value through other comprehensive income (“FVTOCI”)*

The Group elected to present in OCI for the fair value changes of some of its equity investments previously classified as available-for-sale financial assets. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB9,576 million were reclassified from available-for-sale financial assets to equity instruments at FVTOCI. The fair value gains of RMB635 million relating to these investments previously carried at fair value continued to be accumulated in investment revaluation reserve.

*From AFS equity investments to fair value through profit or loss (“FVTPL”)*

At the date of initial application of IFRS 9, the Group’s equity investments of RMB9,255 million were reclassified from available-for-sale financial assets to financial assets at FVTPL. The fair value gains of RMB42 million relating to those equity investments previously carried at cost less impairment were adjusted to financial assets at FVTPL and retained profits as at 1 January 2018, with the related deferred income tax of RMB11 million adjusted to retained profits. Net fair value losses of RMB613 million relating to these financial assets previously carried at fair value were transferred from investment revaluation reserve to retained profits.

*From AFS debt investments to FVTOCI*

Bonds with a fair value of RMB15,166 million were reclassified from available-for-sale financial assets to debt instruments at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding. Related fair value losses of RMB255 million continued to be accumulated in investment revaluation reserve as at 1 January 2018.

*From AFS debt investments to FVTPL*

Bonds with a fair value of RMB64 million were reclassified from available-for-sale financial assets to financial assets at FVTPL. This is because on the basis of the facts and circumstances that exist at the date of initial application of IFRS 9, these investments were not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Related fair value gains and related deferred income tax were not significant and were transferred from the investment revaluation reserve to retained profits as at 1 January 2018.

(b) Held-to-maturity investments

Bonds previously classified as held-to-maturity investments are reclassified and measured at amortized cost upon application of IFRS 9. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the carrying amount at 1 January 2018.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

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

##### 2.1.1 IFRS 9 *Financial Instruments* (continued)

*Summary of effects arising from initial application of IFRS 9 (continued)*

(c) Financial assets at FVTPL and/or designated as at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the convertible bonds and the portfolio of financial assets which is managed and its performance is evaluated on a fair value basis, as these financial assets are required to be measured at FVTPL under IFRS 9 since the contractual cash flows of these financial assets are not solely payment of principal and interest on the principal amount outstanding. As a result, the fair value of these investments of RMB5,761 million were reclassified from financial assets designated as at FVTPL to financial assets at FVTPL.

At the date of initial application of IFRS 9, the Group's debt investments of RMB225 million were reclassified from financial assets at FVTPL to amortized cost since the Group's business model is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount outstanding. The difference between fair value and the amortized cost at the date of adoption was not significant.

Remaining investments are debt securities, equity securities and funds held for trading which are required to be classified as FVTPL under IFRS 9. There was no impact on the amounts recognized in relation to these assets from the application of IFRS 9.

(d) Loans and receivables

Financial assets of RMB2,477 million previously classified as loans and receivables was reclassified to FVTPL upon the application of IFRS 9 because the cash flows do not represent solely payments of principal and interest on the principal amount outstanding. The related fair value gains of RMB27 million arising from a difference between the previous amortized cost amount of these investments and the fair value of these investments was adjusted to financial assets at FVTPL and retained profits as at 1 January 2018, with the related deferred income tax of RMB7 million adjusted to retained profits.

Remaining investments were held within a business model whose objective is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount outstanding. Accordingly, these investments will continue to be subsequently measured at amortized cost upon the application of IFRS 9.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

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

##### 2.1.1 IFRS 9 *Financial Instruments* (continued)

*Summary of effects arising from initial application of IFRS 9 (continued)*

(e) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all accounts receivable. To measure the ECL, accounts receivable have been assessed individually with outstanding significant balances, the remaining balances have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortized cost mainly comprise of bank balances, debt instruments measured at amortized cost, other receivables, advances to customers and financial assets held under resale agreements. They are measured on 12m ECL basis as there had been no significant increase in credit risk since initial recognition, except for certain advances to customers and certain financial assets held under resale agreements which are measured on lifetime ECL basis as their credit risk had increased significantly since initial recognition.

As at 1 January 2018, the additional credit loss allowance of RMB39 million and related deferred income tax of RMB10 million has been recognized against retained profits. The additional loss allowance is charged against the respective asset, except for the debt instruments which is measured at FVTOCI, the loss allowance for which is recognized against the investment revaluation reserve.

All loss allowances for financial assets including available-for-sale financial assets, advances to customer, accounts receivable, other receivables, financial assets held under resale agreements and bank balances as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Accounts receivable and other receivables	Debt instruments at amortized cost	Investment classified as loan and receivables	Advances to customers	Financial assets held under resale agreements	Available- for-sale financial assets	Debt instruments at FVTOCI	Bank balances
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2017- IAS 39	33,166	N/A	1,894	100,658	80,127	796,823	N/A	-
Reclassification	-	1,894	(1,894)	-	-	(796,823)	-	-
Amounts remeasured through opening retained profits/investment revaluation reserve	-	581	-	7,773	20	-	29,824	868
At 1 January 2018	33,166	2,475	-	108,431	80,147	-	29,824	868

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

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

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

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application, 1 January 2018. There is no significant difference at the date of initial application and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and the related interpretations.

Information about the Group’s performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in Note 6 and 3 respectively.

The application of IFRS 15 has had no material impact on the timing and amounts of revenue recognized in the reporting periods.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

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

##### 2.1.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards and amendments

As a result of the changes in the Group’s accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognized for each individual line item.

	31 December 2017 (Audited) RMB’000	IFRS 9 RMB’000	1 January 2018 (Restated) RMB’000
<b>Non-current assets</b>			
Property and equipment	381,079	–	381,079
Goodwill	223,278	–	223,278
Other intangible assets	385,796	–	385,796
Financial assets measured at fair value through profit or loss	–	7,945,860	7,945,860
Available-for-sale financial assets	15,186,366	(15,186,366)	–
Debt instruments measured at fair value through other comprehensive income	–	98,114	98,114
Equity instruments measured at fair value through other comprehensive income	–	9,576,143	9,576,143
Held-to-maturity investments	1,419,541	(1,419,541)	–
Debt instruments measured at amortized cost	–	1,545,211	1,545,211
Investments classified as loan and receivables	2,736,282	(2,736,282)	–
Financial assets held under resale agreements	23,916,025	–	23,916,025
Deferred tax assets	168,048	(4,382)	163,666
Deposits with exchanges and non-bank financial institutions	484,838	–	484,838
<b>Current assets</b>			
Advances to customers	60,063,731	(7,773)	60,055,958
Accounts receivable	1,002,842	–	1,002,842
Tax recoverable	565,577	–	565,577
Other receivables and prepayments	4,028,350	258,967	4,287,317
Financial assets measured at fair value through profit or loss	29,010,296	3,694,745	32,705,041
Available-for-sale financial assets	18,874,475	(18,874,475)	–
Debt instruments measured at fair value through other comprehensive income	–	15,067,751	15,067,751
Held-to-maturity investments	2,125,632	(2,125,632)	–
Debt instruments measured at amortized cost	–	4,471,895	4,471,895
Investments classified as loans and receivables	2,247,865	(2,247,865)	–
Financial assets held under resale agreements	14,340,106	(20)	14,340,086
Derivative financial assets	22,936	–	22,936
Deposits with exchanges and non-bank financial institutions	5,351,712	–	5,351,712
Clearing settlement funds	12,538,492	–	12,538,492
Bank balances	59,741,699	(868)	59,740,831
<b>Total assets</b>	254,814,966	55,482	254,870,448

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

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

##### 2.1.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards and amendments (continued)

	31 December 2017 (Audited) RMB'000	IFRS 9 RMB'000	1 January 2018 (Restated) RMB'000
<b>Non-current liabilities</b>			
Bonds payable	45,739,475	–	45,739,475
Financing instrument payables	4,180,190	–	4,180,190
Other payables and accruals	3,156,971	–	3,156,971
Deferred tax liabilities	6,581	10,584	17,165
Financial liabilities designated as at fair value through profit or loss	25,370	–	25,370
<b>Current liabilities</b>			
Bonds payable	16,014,798	–	16,014,798
Financing instrument payables	3,050,331	–	3,050,331
Due to banks and other financial institutions	25,274,330	–	25,274,330
Accounts payable to brokerage clients	64,787,132	–	64,787,132
Accrued staff costs	3,389,597	–	3,389,597
Other payables and accruals	5,145,580	–	5,145,580
Current tax liabilities	63,683	–	63,683
Financial liabilities designated as at fair value through profit or loss	243,121	–	243,121
Derivative financial liabilities	135,150	–	135,150
Financial assets sold under repurchase agreements	18,716,224	–	18,716,224
<b>Total liabilities</b>	189,928,533	10,584	189,939,117
<b>Equity</b>			
Share capital	10,137,259	–	10,137,259
Capital reserve	25,027,389	–	25,027,389
Investment revaluation reserve	(168,989)	635,185	466,196
Translation reserve	14,128	–	14,128
General reserves	13,659,585	–	13,659,585
Other reserves	(33,286)	–	(33,286)
Retained profits	15,876,941	(590,287)	15,286,654
Non-controlling interests	373,406	–	373,406
<b>Total equity</b>	64,886,433	44,898	64,931,331

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as disclosed above.



# SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

### 2.2 New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Leases <sup>1</sup>
IFRS 17	Insurance Contracts <sup>2</sup>
IFRIC 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to IFRS 3	Definition of a Business <sup>3</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to IAS 1 and IAS 8	Definition of Material <sup>5</sup>
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>3</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2020.

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

#### IFRS 16 Leases

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

IFRS 16 distinguishes leases and service contracts on the basis whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments under IAS 17 as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

#### 2.2 New and amendments to IFRSs in issue but not yet effective (continued)

##### IFRS 16 Leases (continued)

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

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB1,183 million as disclosed in Note 53. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

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

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 Determining Whether an Arrangement Contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognize the cumulative effect of initial application to opening retained profits without restating comparative information. Certain practical expedients permitted by this modified retrospective approach will also be applied on a lease-by-lease basis.

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

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (“CO”).

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

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

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

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

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

The principal accounting policies are set out below.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Basis of consolidation

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

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

The 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.

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

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

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

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

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Basis of consolidation (continued)

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owner of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9/IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### Goodwill

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

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

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

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Goodwill (continued)

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of a joint venture is described below.

#### Investments in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. 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 results and assets and liabilities of the joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transaction and events in similar circumstances. Appropriate adjustments have been made to conform the joint venture's accounting policies to those of the Group. Under the equity method, an investment in a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investments in a joint venture (continued)

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of IFRS 9/IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

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

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

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

#### Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2.1.2)

Under IFRS 15, the Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

# SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2.1.2) (continued)

#### *Principal versus agent*

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

#### Revenue recognition (prior to 1 January 2018)

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

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

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

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

Dividend income from investments is recognized when the rights to receive payment have been established.

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



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Leases

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

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

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

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

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

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

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

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis.

#### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise.

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

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Borrowing costs

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

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

#### Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

#### Retirement benefit costs and termination benefits

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorized as follows:

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

The 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.

# SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Retirement benefit costs and termination benefits (continued)

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.

### Short-term employee benefits

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

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

### Taxation

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

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 are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

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

The carrying amount of deferred tax assets is reviewed at the end of 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 rate (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.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Taxation (continued)

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

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

#### Property and equipment

Property and equipment including leasehold land (classified as finance lease) and 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 are as follows:

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

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 of 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 disposals. 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.

#### Intangible assets

##### *Intangible assets acquired separately*

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

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

#### Impairment on tangible and intangible assets other than goodwill

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 are 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.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Impairment on tangible and intangible assets other than goodwill (continued)

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

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

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

#### 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 which are derived from the Group's ordinary course of business are presented as revenue.

# SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### **Financial assets**

*Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2.1.1)*

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.

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 are required to be measured at the 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)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### **Financial assets (continued)**

*Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2.1.1) (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 "net investment gains" 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.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### **Financial assets (continued)**

*Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 2.1.1)*

The Group recognizes a loss allowance for ECL 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 a non-bank financial institution, clearing settlement funds and bank balances. The amount of ECL 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 are 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 ECL for accounts receivable without significant financing component. The ECL 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 ECL. The assessment of whether lifetime ECL 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;
- 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;

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### **Financial assets (continued)**

*Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 2.1.1) (continued)*

(i) Significant increase in credit risk (continued)

- 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;
- 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 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.

For loan commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

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.

(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 collaterals 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.

# SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### **Financial assets (continued)**

*Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 2.1.1) (continued)*

#### (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 ECL

The measurement of ECL 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 ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL 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.

For ECL 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 amortized cost of the financial asset.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### **Financial assets (continued)**

*Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 2.1.1) (continued)*

(iv) Measurement and recognition of ECL (continued)

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.

*Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)*

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (“FVTPL”), held-to-maturity investments, AFS financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

# SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### **Financial assets (continued)**

*Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) (continued)*

(i) Financial assets at FVTPL (continued)

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "net investment gains" line item. Fair value is determined in the manner described in Note 62.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that are quoted in an active market and that the Group has the positive intention and ability to hold to maturity.

The Group designated certain debt securities as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment.

(iii) AFS financial assets

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

Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method are recognized in profit or loss. Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### **Financial assets (continued)**

*Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) (continued)*

(iv) Loans and receivables

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

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

*Impairment of financial assets (before application of IFRS 9 on 1 January 2018)*

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

For AFS equity investment, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

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

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

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, fair value changes in collateral, and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### **Financial assets (continued)**

##### *Impairment of financial assets (before application of IFRS 9 on 1 January 2018) (continued)*

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of AFS equity investments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

##### *Derecognition of financial assets*

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset 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 upon application of IFRS 9, 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 upon application of IFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### **Financial liabilities and equity**

##### *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.

##### *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) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

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



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### **Financial liabilities and equity (continued)**

###### *Financial liabilities at FVTPL (continued)*

Upon application of IFRS 9, 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.

Prior to application of IFRS 9 on 1 January 2018, financial liabilities designated as at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest paid on the financial liability and is included in the "net investment gains" line item.

###### *Financial liabilities at amortized cost*

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

##### **Derivative financial instruments**

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

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 (under IFRS 9 since 1 January 2018)*

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.

###### *Embedded derivatives (before application of IFRS 9 on 1 January 2018)*

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

# SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### ***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 (under IFRS 9 since 1 January 2018)*

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.

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 heading of 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 loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### **Hedge accounting (continued)**

*Discontinuation of hedge accounting (under IFRS 9 since 1 January 2018)*

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.

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

Financial assets sold subject to repurchase agreements, which do not result in derecognition of the financial assets, are continued to be recorded as “financial assets measured at fair value through profit and loss”, “available-for-sale financial assets”, “debt instruments measured at fair value through other comprehensive income” or “equity instruments measured at fair value through other comprehensive income” as appropriate. The corresponding liability is included in “financial assets sold under repurchase agreements”. Consideration paid for financial assets held under agreements to resell are recorded as “financial assets held under resale agreements”.

##### **Securities lending**

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

##### **Offsetting financial assets and financial liabilities**

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

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an 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.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

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

#### Critical judgement in applying accounting

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

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

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

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

#### ***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.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

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

#### Critical judgement in applying accounting (continued)

##### **Measurement of ECL**

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

##### *Significant increase in credit risk*

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to 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 61 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 in “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 moved to “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.
- If the financial instrument is credit-impaired, the financial instrument is then moved to “Stage 3”. The Group defines a financial instrument is 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.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

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

#### Critical judgement in applying accounting (continued)

##### **Measurement of ECL (continued)**

###### *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 move 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 ECL changes because the credit risk of the portfolios differ.

###### *Models and assumptions used*

The Group uses various models and assumptions in estimating ECL. 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 61 for more details on ECL.

#### 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 RMB5,631 million as at 31 December 2018 (RMB4,552 as at 31 December 2017) 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 62 for further disclosures.

##### **Measurement of ECL**

###### *Forward-looking information*

When measuring ECL 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 61 for more details.

###### *Probability of default (PD)*

PD constitutes a key input in measuring ECL. 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 61 for more details.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

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

#### Key sources of estimation uncertainty (continued)

##### *Measurement of ECL (continued)*

##### *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 61 for more details.

##### *Provision of ECL for accounts receivable and other receivables*

The Group uses provision matrix to calculate ECL 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 impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's accounts receivable and other receivables are disclosed in Notes 61.1, 36 and 32 respectively.

##### *Estimated impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which 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 2018, the carrying amount of goodwill is RMB223 million (31 December 2017: RMB223 million) (no impairment loss was recognized during the reporting periods). Details of the recoverable amount calculation are disclosed in Note 21.

### 5. 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, which is also consistent with the Group's basis of organization, whereby the businesses are organized and managed separately as individual strategic business unit that offers different products and serves different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the board of directors, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 5. 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, and include the structured entities consolidated by the Group.
- (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; and
- (g) Hong Kong business: This segment mainly represents the business operations in securities brokerage, futures brokerage, securities research, investment banking, margin financing, money lending, asset management and insurance brokerage business that are carried out in Hong Kong.

Others mainly represent head office operations, investment holding as well as interest income and interest expense arising from general working capital.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during both years. Segment profit or loss represents the profit earned or loss incurred by each segment without allocation of income tax expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Segment assets or liabilities are allocated to each segment, excluding deferred tax assets and liabilities. Inter-segment balances mainly resulted from futures brokerage transaction carried out by futures brokerage segment for proprietary trading and other securities trading services segment and are eliminated upon consolidation. The segment result excludes income tax expense while the segment assets and liabilities include tax recoverable and current tax liabilities respectively.

The Group operates in two principal geographical areas in the People's Republic of China, Mainland China and Hong Kong, representing the location of both income from external customers and assets of the Group. Segment revenue and all assets of the Group in respect of Hong Kong business segment are attributable to operations in Hong Kong, while other segment revenue and assets of the Group are attributable to operations in Mainland China. No single customer contributes more than 10% of the Group's income for the years ended 31 December 2018 and 2017.



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(Amounts in thousands of Renminbi, unless otherwise stated)

## 5. SEGMENT REPORTING (continued)

The operating and reportable segment information provided to the CODM for the years ended 31 December 2018 and 2017 is as follows:

	Securities brokerage	Futures brokerage	Proprietary trading and other securities services	Investment banking	Asset management	Private equity and alternative investments	Hong Kong business	Reportable Segment total	Others	Eliminations	Consolidated total
For the year ended 31 December 2018											
<b>Segment revenue and results</b>											
Revenue and net investment gains											
– External	10,174,104	838,438	2,425,502	496,580	845,797	(47,388)	516,126	15,249,159	227,972	–	15,477,131
– Inter-segment	533,367	742	–	–	33,611	–	–	567,720	343,376	(911,096)	–
Other income, gains and losses	28,259	712,491	24	1,104	5,519	15,915	4,709	768,021	(10,182)	–	757,839
Segment revenue, gains and other income	10,735,730	1,551,671	2,425,526	497,684	884,927	(31,473)	520,835	16,584,900	561,166	(911,096)	16,234,970
Segment expenses	(6,955,409)	(1,215,272)	(2,478,659)	(311,862)	(801,790)	(53,100)	(384,225)	(12,200,317)	(917,412)	567,430	(12,550,299)
Segment result	3,780,321	336,399	(53,133)	185,822	83,137	(84,573)	136,610	4,384,583	(356,246)	(343,666)	3,684,671
Share of result of a joint venture	–	–	–	–	–	–	(2,577)	(2,577)	–	–	(2,577)
Profit/(loss) before income tax	3,780,321	336,399	(53,133)	185,822	83,137	(84,573)	134,033	4,382,006	(356,246)	(343,666)	3,682,094
As at 31 December 2018											
<b>Segment assets and liabilities</b>											
Segment assets	115,557,402	17,107,896	102,746,721	435,877	2,284,731	2,957,358	7,831,314	248,921,299	143,656,853	(142,569,138)	250,009,014
Interest in a joint venture	–	–	–	–	–	–	876,823	876,823	–	–	876,823
Deferred tax assets	–	–	–	–	–	–	–	–	–	–	477,454
Group's total assets											251,363,291
Segment liabilities	114,144,500	15,224,018	103,973,882	425,524	1,036,027	394,173	5,506,110	240,704,234	87,052,901	(142,741,801)	185,015,334
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–	10,096
Group's total liabilities											185,025,430
<b>Other segment information</b>											
Depreciation and amortization	174,545	15,743	3,537	3,667	2,359	439	4,824	205,114	13,371	–	218,485
Impairment losses	305,266	–	(2,873)	74,699	9,339	6,424	12,217	405,072	3,276	–	408,348
Additions to non-current assets	87,164	20,991	–	–	863	8,304	3,214	120,536	1,193,668	–	1,314,204
Interest income from operations	6,957,266	459,413	340,575	50	49,078	2,122	291,853	8,100,357	203,026	–	8,303,383
Interest income from investments	–	1,173	1,074,294	–	101,729	–	–	1,177,196	–	–	1,177,196
Interest expenses	195,015	15,153	1,009,784	–	91,495	–	78,011	1,389,458	4,646,432	–	6,035,890

# SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

## 5. SEGMENT REPORTING (continued)

	Securities brokerage	Futures brokerage	Proprietary trading and other securities trading services	Investment banking	Asset management	Private equity and alternative investments	Hong Kong business	Reportable Segment total	Others	Eliminations	Consolidated total
For the year ended 31 December 2017											
<b>Segment revenue and results</b>											
Revenue and net investment gains											
- External	10,739,359	834,995	2,220,321	520,369	725,028	166,323	468,064	15,674,459	280,995	-	15,955,454
- Inter-segment	410,989	1,531	-	-	36,797	-	-	449,317	200,808	(650,125)	-
Other income, gains and losses	21,866	13,177	94	616	60	1,639	4,222	41,674	(11,291)	-	30,383
Segment revenue, gains and other income	11,172,214	849,703	2,220,415	520,985	761,885	167,962	472,286	16,165,450	470,512	(650,125)	15,985,837
Segment expenses	(6,671,636)	(539,174)	(2,507,388)	(250,302)	(626,981)	(65,145)	(335,708)	(10,996,334)	(630,096)	449,248	(11,177,182)
Segment result	4,500,578	310,529	(286,973)	270,683	134,904	102,817	136,578	5,169,116	(159,584)	(200,877)	4,808,655
Profit/(loss) before income tax	4,500,578	310,529	(286,973)	270,683	134,904	102,817	136,578	5,169,116	(159,584)	(200,877)	4,808,655
As at 31 December 2017											
<b>Segment assets and liabilities</b>											
Segment assets	137,329,070	16,560,226	73,914,253	960,988	2,717,530	3,018,147	9,208,348	243,708,562	155,745,356	(144,807,000)	254,646,918
Deferred tax assets											168,048
Group's total assets											254,814,966
Segment liabilities	136,902,073	14,718,487	76,414,656	826,821	1,528,801	396,956	6,048,975	236,836,569	97,724,679	(144,639,296)	189,921,952
Deferred tax liabilities											6,581
Group's total liabilities											189,928,533
<b>Other segment information</b>											
Depreciation and amortization	150,493	16,725	3,120	1,476	1,402	394	4,047	177,657	38,813	-	216,470
Impairment losses	35,763	-	637,625	(351)	2,473	-	7,906	683,416	(1,307)	-	682,109
Additions to non-current assets	107,539	9,885	-	-	962	300	12,199	130,885	106,077	-	236,962
Interest income from operations	6,181,884	431,445	290,110	1	40,049	13,767	203,283	7,160,539	183,480	-	7,344,019
Interest income from investments	-	-	1,085,516	-	-	20,151	-	1,105,667	-	-	1,105,667
Interest expenses	251,275	9,531	811,607	-	47,957	2	42,347	1,162,719	3,194,894	-	4,357,613

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 6. COMMISSION AND FEE INCOME

	Year ended 31 December	
	2018	2017
Commission on securities dealing and broking and handling fee income	3,341,973	4,611,251
Underwriting and sponsors' fees	460,516	489,959
Commission on futures and options contracts dealing and broking and handling fee income	315,459	369,484
Consultancy and financial advisory fee income	95,564	91,659
Asset management fee income	746,670	700,098
Others	90,569	92,623
	<b>5,050,751</b>	6,355,074

#### (1) Performance obligations for commission and fee income from customers

##### (i) Brokerage

The Group provides broking and dealing services for securities, futures and options contracts. Commission income is recognized at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed. Fee income is recognized when the transaction is executed and service is completed.

##### (ii) Corporate finance

The Group provides placing, underwriting or sub-underwriting services to customers for their fund raising activities in equity and debt capital markets, and also structured products arrangement services. Revenue is recognized when the relevant placing, underwriting, sub-underwriting or structured products arrangement activities are completed. Accordingly, the revenue is recognized at a point in time.

The Group also provides sponsoring services to clients for their fund raising activities and corporate advisory services to corporate clients for their corporate actions. The Group considers that all the services promised in a particular contract of being a sponsor or corporate advisor are interdependent and interrelated and should therefore be accounted for as a single performance obligation.

##### (iii) Asset management

The Group provides asset management and investment advisory services on diversified and comprehensive investment products to customers. The customers simultaneously receives and consumes the benefit provided by the Group, hence the revenue is recognized as a performance obligation satisfied over time. Asset management fee income is charged at a fixed percentage per month of the net asset value of the managed accounts under management of the Group. Investment advisory fee income is charged at a fixed amount per month for managing the investment portfolio of each client.

The Group is also entitled to a performance fee when there is a positive performance for the relevant performance period and it is recognized at the end of the relevant performance period, when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

- (2) Most contracts with customers have original expected duration of one year or less and therefore information about their remaining performance obligations is not disclosed.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 7. INTEREST INCOME

	Year ended 31 December	
	2018	2017
Deposits with exchanges and a non-bank financial institution and bank balances	1,881,294	1,989,759
Advances to customers and securities lending	4,001,964	4,196,795
Financial assets held under resale agreements	2,420,125	1,157,465
Debt instruments measured at fair value through other comprehensive income	839,630	–
Debt instruments measured at amortized cost	337,566	–
	<b>9,480,579</b>	7,344,019

### 8. NET INVESTMENT GAINS

	Year ended 31 December	
	2018	2017
Realized and unrealized gains/(losses) from		
– available-for-sale financial assets	–	366,565
– debt instruments measured at FVTOCI	22,309	–
– financial assets measured at FVTPL (required by IFRS 9)	(826,502)	–
– financial assets held for trading (required by IAS 39)	–	449,583
– financial assets designated as at fair value through profit or loss (required by IAS 39)	–	(71,775)
– financial liabilities held for trading	(9,715)	(7,741)
– financial liabilities designated as at FVTPL	35,892	29,904
– derivative financial instruments	1,012,443	81,777
Dividend income from		
– available-for-sale financial assets	–	302,381
– equity instruments measured at FVTOCI	711,374	–
Interest income from		
– available-for-sale financial assets	–	902,908
– investments classified as loans and receivables	–	159,552
– held-to-maturity investments	–	43,207
	<b>945,801</b>	2,256,361

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

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### 9. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December	
	2018	2017
Income from bulk commodity trading	695,936	–
Government grants	29,148	9,024
Gains on disposals of property and equipment and other intangible assets	965	572
Foreign exchange losses	(8,612)	(10,095)
Gross rental income from investment properties	420	–
Others	39,982	30,882
	<b>757,839</b>	30,383

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

### 10. DEPRECIATION AND AMORTIZATION

	Year ended 31 December	
	2018	2017
Depreciation for property and equipment	171,434	177,273
Depreciation for investment properties	49	–
Amortization of other intangible assets	47,002	39,197
	<b>218,485</b>	216,470

### 11. STAFF COSTS

	Year ended 31 December	
	2018	2017
Salaries, bonus and allowances	2,453,361	3,080,003
Social welfare	622,241	616,502
Contributions to annuity schemes	130,813	132,750
Supplementary retirement benefits	17,678	16,559
Early retirement benefits	951	150
Others	259,527	254,574
	<b>3,484,571</b>	4,100,538

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 12. COMMISSION AND FEE EXPENSES

	Year ended 31 December	
	2018	2017
Securities and futures dealing and broking expenses	193,560	223,849
Underwriting and sponsors' fee expenses	6,366	13,016
Other service expenses	45,446	33,009
	<b>245,372</b>	269,874

### 13. INTEREST EXPENSES

	Year ended 31 December	
	2018	2017
Presented below are interests on the following liabilities:		
– Bonds payable	3,617,511	2,477,135
– Financing instrument payables	865,828	668,274
– Due to banks and other financial institutions	153,305	71,070
– Accounts payable to brokerage clients	204,335	228,655
– Financial assets sold under repurchase agreements	1,029,502	762,870
– Third-party interests in consolidated structured entities	165,409	149,609
	<b>6,035,890</b>	4,357,613

### 14. OTHER OPERATING EXPENSES

	Year ended 31 December	
	2018	2017
General and administrative expenses	413,282	466,457
Value-added tax and surcharges	102,387	104,057
Minimum operating lease rentals in respect of rented premises	546,523	521,891
Data transmission expenses	141,127	161,622
Securities investor protection funds	41,848	47,137
Business travel expenses	85,032	87,485
Utilities expenses	34,927	38,126
Auditors' remuneration	9,228	8,521
Cost of bulk commodity trading	695,526	–
Sundry expenses	87,753	115,282
	<b>2,157,633</b>	1,550,578

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

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### 15. IMPAIRMENT LOSSES, NET OF REVERSAL

	Year ended 31 December	
	2018	2017
Impairment losses recognized/(reversed) on:		
– Financial assets held under resale agreements (Note 25)	35,512	18,225
– Available-for-sale financial assets	–	639,320
– Debt instruments measured at FVTOCI (Note 27)	(1,302)	–
– Debt instruments measured at amortized cost (Note 29)	6,471	–
– Investments classified as loan and receivables (Note 31)	–	1,894
– Other receivables (Note 32)	11,165	1,850
– Advances to customers (Note 35)	287,694	17,543
– Accounts receivable (Note 36)	69,055	3,277
– Bank balances	(247)	–
	<b>408,348</b>	682,109

Details of impairment assessment for the year ended 31 December 2018 are set out in Note 61.

### 16. INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
Current income tax:		
– PRC Enterprise Income Tax	939,092	738,972
– Hong Kong Profits Tax	12,981	23,452
Under provision in prior years:		
– PRC Enterprise Income Tax	15,247	37,999
– Hong Kong Profits Tax	362	–
Subtotal	<b>967,682</b>	800,423
Deferred income tax (Note 34)	<b>(217,325)</b>	(10,742)
	<b>750,357</b>	789,681

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% for both years.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

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### 16. INCOME TAX EXPENSE (continued)

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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	
	2018	2017
Profit before income tax	3,682,094	4,808,655
Tax at the statutory tax rate of 25%	920,524	1,202,164
Tax effect of share of loss of a joint venture	425	–
Tax effect of expenses not deductible for tax purposes	8,615	8,796
Tax effect of income not taxable for tax purposes	(182,098)	(443,447)
Effect of different tax rates of subsidiaries	(11,931)	(12,081)
Utilization of tax losses/deductible temporary differences previously not recognized	(787)	(3,750)
Under provision in respect of prior years	15,609	37,999
Income tax expense for the year	750,357	789,681

### 17. EARNINGS PER SHARE

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

	Year ended 31 December	
	2018	2017
Profit for the year attributable to owners of the Company	2,887,127	3,980,730
Weighted average number of shares in issue (thousands)	10,137,259	10,101,095
Basic earnings per share (in RMB yuan)	0.28	0.39

No diluted earnings per share for both 2018 and 2017 were presented as there were no potential ordinary shares in issue for both 2018 and 2017.



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### 18. DIVIDENDS

Dividends for ordinary shareholders of the Company recognized as distribution during the year:

	As at 31 December	
	2018	2017
Dividend recognized as distribution	1,216,471	1,571,275

A dividend in respect of 2017 of RMB1.20 per 10 shares (inclusive of tax), or a total of RMB1,216.47 million, based on a total of 10,137,258,757 shares in issue, was approved at the Annual General Meeting on 26 June 2018.

A dividend in respect of 2016 of RMB1.55 per 10 shares (inclusive of tax), or a total of RMB1,571.28 million, based on a total of 10,137,258,757 shares in issue, was approved at the Annual General Meeting on 22 June 2017.

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### 19. PROPERTY AND EQUIPMENT

	Leasehold land and buildings	Electronic and communication equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
<b>COST</b>						
As at 1 January 2017	245,067	727,414	95,352	135,407	314,235	1,517,475
Additions	3,296	59,856	1,637	11,580	89,549	165,918
Disposals/written-off	–	(56,607)	(2,879)	(13,620)	(71,302)	(144,408)
As at 31 December 2017	248,363	730,663	94,110	133,367	332,482	1,538,985
<b>ACCUMULATED DEPRECIATION</b>						
As at 1 January 2017	131,029	581,019	82,816	109,169	215,538	1,119,571
Charge for the year	10,683	83,637	3,835	10,871	68,247	177,273
Disposals/written-off	–	(53,420)	(2,186)	(12,030)	(71,302)	(138,938)
As at 31 December 2017	141,712	611,236	84,465	108,010	212,483	1,157,906
<b>CARRYING VALUES</b>						
As at 31 December 2017	106,651	119,427	9,645	25,357	119,999	381,079
<b>COST</b>						
As at 1 January 2018	248,363	730,663	94,110	133,367	332,482	1,538,985
Additions	468	74,144	2,599	13,087	73,780	164,078
Disposals/written-off	–	(42,695)	(6,544)	(12,593)	(50,198)	(112,030)
As at 31 December 2018	248,831	762,112	90,165	133,861	356,064	1,591,033
<b>ACCUMULATED DEPRECIATION</b>						
As at 1 January 2018	141,712	611,236	84,465	108,010	212,483	1,157,906
Charge for the year	10,683	75,433	3,407	11,098	70,813	171,434
Disposals/written-off	–	(34,639)	(5,995)	(11,971)	(50,198)	(102,803)
As at 31 December 2018	152,395	652,030	81,877	107,137	233,098	1,226,537
<b>CARRYING VALUES</b>						
As at 31 December 2018	96,436	110,082	8,288	26,724	122,966	364,496

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### 20. INVESTMENT PROPERTIES

	As at 31 December
	2018
<b>COST</b>	
At beginning of the year	–
Additions	8,280
At end of the year	8,280
<b>DEPRECIATION</b>	
At beginning of the year	–
Provided for the year	49
At end of the year	49
<b>CARRYING VALUES</b>	
At end of the year	8,231

The fair value of the Group's investment properties at 31 December 2018 was RMB14.68 million.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Fair value as at 31 December	
	Level 3	2018
Property units located in PRC	14,676	14,676

The above investment properties are depreciated over their estimated useful lives of 40 years and after taking into account their estimated residual value of nil, using the straight-line method.

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### 21. GOODWILL

	As at 31 December	
	2018	2017
Cost and carrying value, at beginning and end of the year	<b>223,278</b>	223,278

#### Impairment testing on goodwill

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

During the years ended 31 December 2018 and 2017, 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 22) as the recoverable amounts of the CGU exceed their respective carrying amounts.

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

The recoverable amount of the securities brokerage CGU has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period, and at a discount rate of 14.75% as at 31 December 2018 (31 December 2017: 12.31%). The cash flows beyond the 3-year period are assumed to remain unchanged. The discount rates used reflect specific risks relating to the CGU.

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

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

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### 22. OTHER INTANGIBLE ASSETS

	Trading rights	Computer software	Total
<b>COST</b>			
As at 1 January 2017	303,910	239,656	543,566
Additions	–	71,044	71,044
Disposals/written-off	–	(1,346)	(1,346)
As at 31 December 2017	303,910	309,354	613,264
<b>ACCUMULATED AMORTIZATION</b>			
As at 1 January 2017	–	189,325	189,325
Charge for the year	–	39,197	39,197
Disposals/written-off	–	(1,054)	(1,054)
As at 31 December 2017	–	227,468	227,468
<b>CARRYING VALUES</b>			
As at 31 December 2017	303,910	81,886	385,796
<b>COST</b>			
As at 1 January 2018	303,910	309,354	613,264
Additions	–	53,006	53,006
Disposals/written-off	–	(896)	(896)
As at 31 December 2018	303,910	361,464	665,374
<b>ACCUMULATED AMORTIZATION</b>			
As at 1 January 2018	–	227,468	227,468
Charge for the year	–	47,002	47,002
Disposals/written-off	–	(763)	(763)
As at 31 December 2018	–	273,707	273,707
<b>CARRYING VALUES</b>			
As at 31 December 2018	303,910	87,757	391,667

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

#### Impairment testing on trading rights with indefinite useful lives

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortized until their useful life is determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The trading rights are assessed for impairment individually or attached to the relevant CGUs.

The respective recoverable amounts of these trading rights or CGUs where the trading rights are allocated to, using a value in use calculation, exceed their carrying amounts. Accordingly, there were no impairment of the trading rights as at 31 December 2018 and 2017.

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### 23. INTEREST IN A JOINT VENTURE

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

	As at 31 December
	<b>2018</b>
Cost of investment in a joint venture	912,187
Share of post-acquisition profits and other comprehensive income	(7,705)
Exchange adjustments	(27,659)
	<b>876,823</b>

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 31/12/2018	Proportion of voting rights held by the Group 31/12/2018	Principal activity
CGS-CIMB Securities International Pte. Ltd. ("CGS-CIMB")	Singapore	South East Asia, United States and United Kingdom	50.00%	50.00%	Securities broking and research

On 18 January 2018, pursuant to the Share Purchase Agreement (the "SPA") entered between China Galaxy International Financial Holdings Company Limited ("Galaxy International Holdings"), a wholly-owned subsidiary of the Company, and CIMB Group Sdn Bhd ("CIMB"), the Group acquired 50% of the issued share capital of CIMB Securities International Pte. Ltd ("CSI"), which was wholly owned by CIMB.

Upon completion of the SPA, the name of CSI is then changed to CGS-CIMB. The Group's investment cost of CGS-CIMB is SGD177 million, equivalent to RMB912 million. As at 31 December 2018, an amount of SGD17 million, equivalent to RMB 86 million, (included in other payables), remains unpaid to CIMB and shall be payable upon completion of the deferred reorganization steps as agreed or the Group shall be entitled to set-off against the sum for any claims under the terms of the SPA if those deferred reorganization steps are not fulfilled by 17 January 2020 (or by such date as both parties may agree).

As part of the acquisition, the Group was awarded call rights from CIMB and also granted put rights to CIMB on the remaining 50% of the issued share capital of CGS-CIMB owned by CIMB. The exercise prices are the aggregate of relevant percentage of the net asset value of CGS-CIMB and relevant percentage of the entry premium, or relevant percentage of the entry valuation as defined in the shareholders' agreement between CIMB and Galaxy International Holdings. The directors of the Company considered that the fair value of the call and put rights are insignificant at the date of initial recognition of the investment in joint venture and as at 31 December 2018.

The directors of the Company consider that the investment in the joint venture is not material to the Group.

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### 24. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

#### (1) Required by IFRS 9 as at 31 December 2018:

Financial assets mandatorily measured at FVTPL:

	As at 31 December
	2018
<b>Non-current</b>	
Debt securities	779,180
Funds	1,940,124
Trust schemes (a)	1,545,934
Other investments (b)	1,277,596
	<b>5,542,834</b>
<b>Current</b>	
Debt securities	35,144,784
Equity securities	5,765,670
Funds	10,826,378
Structured deposits and wealth management products	1,434,340
Trust schemes (a)	213,627
Other investments (b)	811,517
Add: Interests receivable	599,131
	<b>54,795,447</b>

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### 24. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

#### (2) Required by IAS 39 as at 31 December 2017:

	As at 31 December
	2017
<b>Current</b>	
Financial assets held for trading:	
Debt securities	15,773,451
Equity securities	3,449,700
Funds	4,026,553
	23,249,704
Financial assets designated as at FVTPL:	
Convertible bonds	273,604
Equity securities	3,215,225
Funds	498,858
Structured deposits and wealth management products	628,543
Other investments (b)	1,144,362
	5,760,592
	29,010,296

- (a) Included in the balance mainly represents investments in trust schemes which were issued and managed by a non-bank financial institution amounted to RMB1,478 million. Underlying assets of these trust schemes are asset-backed securities issued by a bank. The schemes bear effective interest at 5.66%-17.74% per annum. Upon initial application of IFRS 9 as at 1 January 2018, these trust schemes have been reclassified from investments classified as loan and receivables because their cash flows do not represent solely payments of principal and interest on the principal amount outstanding. The remaining balance mainly represents investments in trust schemes which mainly invest in equity instruments.
- (b) Included in 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.



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### 25. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December	
<b>Non-current</b>	<b>2018</b>	2017
Analyzed by collateral type:		
Stocks	<b>18,659,121</b>	23,974,206
Less: Impairment	<b>(29,059)</b>	(58,181)
	<b>18,630,062</b>	23,916,025
Analyzed by market of collateral:		
Stock exchanges	<b>18,630,062</b>	23,916,025

	As at 31 December	
<b>Current</b>	<b>2018</b>	2017
Analyzed by collateral type:		
Stocks	<b>19,109,288</b>	12,346,091
Bonds	<b>2,178,015</b>	1,962,213
Funds	<b>5,118</b>	53,748
Add: Interests receivable	<b>130,294</b>	–
Less: Impairment	<b>(85,703)</b>	(21,946)
	<b>21,337,012</b>	14,340,106
Analyzed by market of collateral:		
Stock exchanges	<b>21,337,012</b>	14,340,106

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

	Year ended 31 December	
	<b>2018</b>	2017
At the end of last year	<b>80,127</b>	61,902
Impact of adopting IFRS 9	<b>20</b>	–
At beginning of the year	<b>80,147</b>	61,902
Impairment losses recognized, net of reversal (Note 15)	<b>35,512</b>	18,225
Transfer out	<b>(897)</b>	–
At end of the year	<b>114,762</b>	80,127

Details of impairment assessment are set out in Note 61.

As at 31 December 2018, the fair values of collateral received by the Group were approximately RMB84,725 million (31 December 2017: RMB126,708 million).

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### 26. AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 31 December 2017

	Cost	Fair value changes	Impairment	Carrying amount
<b>Non-current</b>				
Measured at fair value:				
Debt securities	1,029,810	(10,143)	–	1,019,667
Funds	4,141,566	(362,820)	–	3,778,746
Other investments (1)	9,347,495	772,258	–	10,119,753
Measured at cost:				
Private equity securities (2)	415,700	–	(147,500)	268,200
	14,934,571	399,295	(147,500)	15,186,366
<b>Current</b>				
Measured at fair value:				
Debt securities	15,384,420	(252,661)	–	15,131,759
Equity securities	4,055,743	(381,375)	(649,152)	3,025,216
Other investments (1)	708,248	9,423	(171)	717,500
	20,148,411	(624,613)	(649,323)	18,874,475

- (1) Included in the balance represents an investment in a designated account managed by China Securities Finance Corporation Limited (the "CSFCL"). The relevant arrangement of the investment is disclosed in the Group's annual financial statements for the year ended 31 December 2017.

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

- (2) As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably. The values of these securities are measured at cost less impairment at the end of each reporting period.

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

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### 27. DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December
	<b>2018</b>
<b>Non-current</b>	
Debt securities	101,603
<b>Current</b>	
Debt securities	16,808,936
Add: Interests receivable	388,691
	<b>17,197,627</b>

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

	Year ended 31 December
	<b>2018</b>
At the end of last year	–
Impact of adopting IFRS 9	29,824
At beginning of the year	29,824
Impairment losses reversed (Note 15)	(1,302)
At end of the year	<b>28,522</b>

Details of impairment assessment are set out in Note 61.

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### 28. EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December
	2018
<b>Non-current</b>	
Perpetual bonds	2,158,677
Equity investments (2)	7,618,758
	<b>9,777,435</b>

(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 directors of the Company elected to present in OCI for 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 2018, the balance represented the investment in a designated account managed by CSFCL, reclassified from available-for-sale financial assets upon the new adoption of IFRS 9 (see Note 26).

As at 31 December 2018, based on the investment report provided by CSFCL, the cost and fair value of the Company's investment managed by CSFCL were RMB7,800 million and RMB7,619 million.

(3) In the current year, the Group disposed of the investment in a perpetual bond, at a consideration of RMB52 million, which was also the fair value as at the date of disposal as the investment no longer meets the investment objective of the Group. A cumulative loss on disposal of RMB38,300 has been transferred to retained profits.

### 29. DEBT INSTRUMENTS MEASURED AT AMORTIZED COST

	As at 31 December
	2018
<b>Non-current</b>	
Debt securities (1)	4,438,628
Less: Impairment	(3,233)
	<b>4,435,395</b>
<b>Current</b>	
Debt securities (1)	244,900
Unsecured loans (2)	233,522
Others (3)	25,540
Add: Interests receivable	128,134
Less: Impairment	(5,713)
	<b>626,383</b>

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### 29. DEBT INSTRUMENTS MEASURED AT AMORTIZED COST (continued)

- (1) As at 31 December 2018, the interest rates on these debt securities are between 3.85%-7.75% per annum.
- (2) As at 31 December 2018, these unsecured loans bear effective interests at 4.35%-6.00% per annum and are repayable within one year.
- (3) As at 31 December 2018, these debt instruments measured at amortized cost bear effective interests at 6.00% per annum and are repayable within one year.
- (4) The movements in the allowance for impairment on debt instruments measured at amortized cost are set out below:

	Year ended 31 December
	<b>2018</b>
At the end of last year	–
Impact of adopting IFRS 9	2,475
At beginning of the year	2,475
Impairment losses recognized, net of reversal (Note 15)	6,471
At end of the year	8,946

Details of impairment assessment are set out in Note 61.

### 30. HELD-TO-MATURITY INVESTMENTS

	As at 31 December
	<b>2017</b>
<b>Non-current</b>	
Debt securities	1,419,541
<b>Current</b>	
Debt securities	2,125,632

As at 31 December 2017, the interest rates on these securities are between 3.85%-5.50% per annum.

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### 31. INVESTMENTS CLASSIFIED AS LOAN AND RECEIVABLES

	As at 31 December
	2017
Non-current	
Trust schemes (1)	2,736,282
Less: Impairment	-
	2,736,282
Current	
Unsecured loans (2)	2,249,759
Less: Impairment	(1,894)
	2,247,865

- (1) As at 31 December 2017, the Group invested in non-current trust schemes which were issued and managed by a non-bank financial institution. Underlying assets of these trust schemes are asset-backed securities issued by a bank. The schemes bear effective interest at 5.93%-16.79% per annum. Upon initial application of IFRS 9 as at 1 January 2018, these trust schemes have been reclassified to financial assets measured at FVTPL because their cash flows do not represent solely payments of principal and interest on the principal amount outstanding.
- (2) As at 31 December 2017, these unsecured loans bear effective interests at 4.35%-6.50% per annum and are repayable within one year.
- (3) The movements in the allowance for impairment on investments classified as loan and receivables are set out below:

	Year ended 31 December
	2018
At the end of last year	1,894
Impact of adopting IFRS 9	(1,894)
At beginning of the year	-

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### 32. OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2018	2017
<b>Non-current</b>		
Prepayments	1,088,840	–
	<b>1,088,840</b>	–
<b>Current</b>		
Prepaid taxes	4,162	4,162
Interests receivable	9,035	3,653,101
Prepayments	213,150	132,209
Assets disposal receivable	110,000	–
Margin financing clients receivable	280,728	–
Others	282,656	255,540
Less: Impairment	(307,816)	(16,662)
	<b>591,915</b>	4,028,350

As at 31 December 2018, the interests accrued on financial assets of the Group are included in the carrying amounts of the corresponding financial assets.

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

	Year ended 31 December	
	2018	2017
At beginning of the year	16,662	18,940
Impairment losses recognized, net of reversal (Note 15)	11,165	1,850
Amounts written off	(1,708)	(4,128)
Transfer in	281,697	–
At end of the year	<b>307,816</b>	16,662

Details of impairment assessment are set out in Note 61.

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### 33. DEPOSITS WITH EXCHANGES AND A NON-BANK FINANCIAL INSTITUTION

	As at 31 December	
Non-current	2018	2017
Deposits with stock exchanges	368,913	453,443
Deposits with futures and commodity exchanges	104,464	25,123
Guarantee fund paid to Shenzhen Stock Exchange	5,281	5,780
Others	33,043	492
	511,701	484,838

	As at 31 December	
Current	2018	2017
Deposits with futures and commodity exchanges	4,701,658	5,277,048
Deposits with CSFCL	62,468	74,664
	4,764,126	5,351,712

### 34. DEFERRED TAXATION

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

	As at 31 December	
	2018	2017
Deferred tax assets	477,454	168,048
Deferred tax liabilities	10,096	6,581
	467,358	161,467

	Year ended 31 December	
	2018	2017
Net deferred income tax assets, at the end of last year	161,467	239,630
Impact of adopting IFRS 9	(14,966)	–
Net deferred income tax assets, at beginning of the year	146,501	239,630
Recognized in profit or loss (Note 16)	217,325	10,742
Recognized in other comprehensive income	103,545	(88,905)
Reclassified from other comprehensive income to retained profits	(13)	–
Net deferred income tax liabilities/assets, at end of the year	467,358	161,467

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes, if any, and the taxes are to be levied by the same tax authority, and of the same taxable entity.



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### 34. 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 available- for-sale financial assets	Changes in fair value of financial assets at FVTOCI	Accrued staff costs	Allowance of impairment losses	Accrued interest expenses	Accrued expenses	Changes in fair value of derivative instruments	Accrued interest income	Others	Total
As at 1 January 2017	167,124	145,235	-	260,562	90,823	430,154	18,754	4,700	(872,716)	(5,006)	239,630
(Charge)/credit to profit or loss	44,176	-	-	(144,366)	118,574	(9,940)	(1,017)	(4,930)	(3,454)	11,699	10,742
Charge to other comprehensive income	-	(88,905)	-	-	-	-	-	-	-	-	(88,905)
As at 31 December 2017	211,300	56,330	-	116,196	209,397	420,214	17,737	(230)	(876,170)	6,693	161,467
Effect of adoption of IFRS 9 (Note 2)	349,599	(56,330)	(155,398)	-	(152,837)	-	-	-	-	-	(14,966)
As at 1 January 2018 (Restated)	560,899	-	(155,398)	116,196	56,560	420,214	17,737	(230)	(876,170)	6,693	146,501
(Charge)/credit to profit or loss	(285,668)	-	-	193,840	94,141	149,823	(2,313)	(30,736)	107,533	(9,295)	217,325
Credit to other comprehensive income	-	-	103,545	-	-	-	-	-	-	-	103,545
Reclassified from other comprehensive income to retained profits	-	-	(13)	-	-	-	-	-	-	-	(13)
As at 31 December 2018	275,231	-	(51,866)	310,036	150,701	570,037	15,424	(30,966)	(768,637)	(2,602)	467,358

At the end of the reporting period, the Group has unrecognized deductible temporary differences of approximately RMB148 million (31 December 2017: RMB148 million) as at 31 December 2018, as it is not probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilized.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognized was RMB369 million (31 December 2017: RMB427 million). No deferred tax liability has been recognize in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and its probable that such differences will not reverse in the foreseeable future.

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### 35. ADVANCES TO CUSTOMERS

	As at 31 December	
	2018	2017
Loans to margin clients	41,394,022	59,473,426
Other loans and advances	1,555,923	690,963
Add: Interests receivable	1,783,693	–
Less: Impairment	(101,695)	(100,658)
	<b>44,631,943</b>	60,063,731

- (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 RMB112,460 million (31 December 2017: RMB177,186 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 2018 and 2017, the fair values of cash and securities collaterals held by the Group for majority of the margin clients are higher than the carrying amounts of each individually.

Based on the agreement terms with margin clients in Hong Kong, the Group is able to repledge clients' securities for margin financing arrangements with qualified financial institutions. The fair values of these listed securities at 31 December 2018 was RMB7,116 million (31 December 2017: RMB10,622 million) and the corresponding balances advanced to clients amounted to RMB1,664 million (31 December 2017: RMB2,480 million).

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value to the users of these consolidated financial statements in view of the nature of business of securities margin financing.

The Group determines the allowance for advance to customers based on the evaluation of collectability and on management's judgment including the assessment of change in credit quality and collateral.

- (2) The movements in the allowance for impairment are set out below:

	Year ended 31 December	
	2018	2017
At the end of last year	100,658	83,115
Impact of adopting IFRS 9	7,773	–
At beginning of the year	108,431	83,115
Impairment losses recognized, net of reversal (Note 15)	287,694	17,543
Amounts written off	(13,630)	–
Transfer out	(280,800)	–
At end of the year	<b>101,695</b>	100,658

Details of impairment assessment are set out in Note 61.

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

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### 36. ACCOUNTS RECEIVABLE

	As at 31 December	
	2018	2017
Accounts receivable of:		
Client securities settlement	80,261	58,963
Brokers and dealers	154,987	119,421
Clearing house (Note 59)	85,840	298,733
Underwriting and sponsors fee	175,689	186,480
Trading rights rental commission	33,330	73,930
Asset management and funds distribution handling fees	178,741	249,291
Others	17,555	32,528
Subtotal	726,403	1,019,346
Less: Impairment	(83,291)	(16,504)
Total	643,112	1,002,842

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

	As at 31 December	
	2018	2017
Within 1 year	533,941	846,326
Between 1 and 2 years	28,877	6,899
Between 2 and 3 years	5,010	148,614
Over 3 years	75,284	1,003
	643,112	1,002,842

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

	Year ended 31 December	
	2018	2017
At beginning of the year	16,504	13,503
Impairment losses recognized, net of reversal (Note 15)	69,055	3,277
Amounts written off	(2,268)	(276)
At end of the year	83,291	16,504

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 61.

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### 37. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December

	2018			2017		
	Nominal amounts	Asset	Liability	Nominal amounts	Asset	Liability
Hedging instruments:						
Currency forward	960,848	–	20,205	–	–	–
Non-hedging instruments:						
Equity return swap	119,813	1,521	–	146,395	7,645	1,095
Options	4,959,014	64,652	192,869	1,051,060	15,291	134,055
Stock index futures	4,407,471	178,172	6,073	3,242,325	30,024	23,512
Less: settlement		(178,172)	(5,734)		(30,024)	(23,512)
Treasury bond futures	5,965,643	6,833	60,299	1,712,025	3,171	4,378
Less: settlement		(6,833)	(60,299)		(3,171)	(4,378)
Commodity futures	1,311,046	22,785	23,263	120,885	114	2,027
Less: settlement		(22,785)	(23,263)		(114)	(2,027)
Interest rate swap	17,500,000	79,625	91,421	1,070,000	1,025	844
Less: settlement		(79,625)	(91,421)		(1,025)	(844)
Other forward contract	43,846	10,118	–	–	–	–
<b>Total</b>	<b>35,267,681</b>	<b>76,291</b>	<b>213,413</b>	7,342,690	22,936	135,150

- (1) The Group uses derivatives primarily for economically hedging its positions in investments. In certain cases, the Group also entered into contracts on derivatives for proprietary trading.
- (2) Under the daily mark-to-market and settlement arrangements, any gains or losses of the Group's position in stock index futures, treasury bond futures, commodity futures and interest rate swap were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Stock index futures not under the daily mark-to-market and settlement arrangement are presented gross at the end of reporting period. Accordingly, the net position of the treasury bond futures, commodity futures and interest rate swap was nil at the end of each reporting period.

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### 38. CLEARING SETTLEMENT FUNDS

	As at 31 December	
	2018	2017
Clearing settlement funds held with clearing houses for:		
– House accounts	1,039,329	1,034,706
– Clients accounts	11,623,905	11,503,786
Add: Interests receivable	23,309	–
	<b>12,686,543</b>	12,538,492

These clearing settlement funds are held by the clearing houses for the Group and these balances carry interest at prevailing market interest rates.

### 39. BANK BALANCES

	As at 31 December	
	2018	2017
House accounts	8,657,213	8,964,433
Cash held on behalf of customers	42,528,973	50,777,266
Add: Interests receivable	227,445	–
	<b>51,413,631</b>	59,741,699

Bank balances comprise time and demand deposits at bank 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 47).

As at 31 December 2018, the ECL allowance of bank balances amounted to RMB621 thousand.

Details of impairment assessment are set out in Note 61.

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### 40. SHARE CAPITAL

The Company's number of shares and nominal value are as follows:

	As at 31 December	
	2018	2017
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
	<b>10,137,259</b>	10,137,259
Share capital (in RMB'000)		
Domestic shares	6,446,274	6,446,274
H shares	3,690,985	3,690,985
	<b>10,137,259</b>	10,137,259

(1) On 23 January 2017, the Company completed its A Share offering of 600 million shares with nominal value of RMB1 per share at a price of RMB6.81 per share.

(2) The movements in share capital are set out below:

	Number of shares		Share capital	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Ordinary shares of RMB1 each	(in thousands)	(in thousands)	RMB'000	RMB'000
Authorized and issued				
At beginning of year	10,137,259	9,537,259	10,137,259	9,537,259
Increase during the year	–	600,000	–	600,000
At end of year	<b>10,137,259</b>	10,137,259	<b>10,137,259</b>	10,137,259

### 41. RESERVES AND RETAINED PROFITS

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

#### (a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

#### (b) Investment revaluation reserve

The investment revaluation reserve represents 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, debt instruments at FVTOCI and AFS investments are disposed of or are determined to be impaired.

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### 41. RESERVES AND RETAINED PROFITS (continued)

#### (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 heading of 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.

#### (d) Translation reserve

Translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries incorporated outside the Mainland China.

#### (e) General reserves

General reserves comprise of the statutory surplus reserve, discretionary surplus reserve, reserve for general risk and transaction risk reserve.

Pursuant to the Company Law of the PRC, in accordance with the Company's articles of association, 10% of the net profit of the Company, determined in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory 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 RMB165 million as at 31 December 2018 (31 December 2017: RMB135 million) represents the Company's share of its subsidiaries' statutory surplus reserve which cannot be used for profit distribution.

#### (f) Other reserves

Other reserves records the actuarial gains or losses arising from the remeasurement of defined benefit obligation.

#### (g) Distributable profits

In accordance with the relevant regulations, the distributable profits of the Company is deemed to be the lower of (i) the retained profits determined in accordance with PRC GAAP and (ii) the retained profits determined in accordance with IFRSs.

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### 42. BONDS PAYABLE

As at 31 December 2018 and 2017, bonds payable comprised of subordinated bonds and corporate bonds.

Details of the bonds issued by the Group are as follows:

#### Non-current

Issue date	Maturity date	Coupon rate	As at	As at
			31 December 2018 Carrying amount	31 December 2017 Carrying amount
4 February 2015	4 February 2020	4.80%	1,040,279	993,750
15 March 2016*	14 March 2021	4.30%	–	299,300
1 June 2016	1 June 2019	3.10%	–	4,881,489
1 June 2016	1 June 2021	3.35%	609,465	596,720
23 August 2016	23 August 2019	2.89%	–	1,488,125
23 August 2016	23 August 2021	3.14%	1,003,606	989,250
19 September 2016^	19 September 2019	3.18%	–	3,500,000
27 February 2017	27 February 2019	4.65%	–	2,495,625
23 March 2017	23 March 2019	4.98%	–	1,756,530
23 March 2017	23 September 2019	4.98%	–	2,495,497
28 April 2017	28 April 2019	4.95%	–	4,621,810
28 April 2017	28 April 2020	4.99%	4,874,157	4,709,429
10 July 2017	10 July 2020	4.55%	5,099,641	4,971,698
18 September 2017	18 September 2020	4.69%	4,043,904	3,974,843
20 October 2017	20 October 2019	5.03%	–	3,983,491
6 December 2017	6 December 2019	5.53%	–	3,981,918
16 January 2018	17 January 2020	5.55%	3,572,780	–
16 January 2018	17 January 2021	5.65%	1,545,724	–
9 February 2018	12 February 2020	5.60%	1,382,669	–
9 February 2018	12 February 2021	5.70%	1,056,191	–
14 March 2018	14 March 2021	5.15%	2,502,130	–
18 April 2018	19 April 2020	5.20%	827,405	–
18 April 2018	19 April 2021	5.30%	3,310,360	–
23 May 2018	24 May 2020	5.38%	5,666,136	–
24 October 2018	25 October 2021	4.48%	5,024,436	–
14 December 2018	17 December 2021	4.28%	1,497,135	–
			43,056,018	45,739,475



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### 42. BONDS PAYABLE (continued)

#### Current

Issue date	Maturity date	Coupon rate	As at	As at
			31 December 2018 Carrying amount	31 December 2017 Carrying amount
4 February 2015	4 February 2018	4.65%	–	1,499,375
24 April 2015	24 April 2018	5.60%	–	5,800,000
24 October 2016	24 October 2018	3.15%	–	4,000,000
29 August 2017	29 May 2018	4.79%	–	1,925,953
29 August 2017	29 August 2018	4.79%	–	1,796,718
20 October 2017	20 July 2018	4.77%	–	992,752
15 March 2016*	14 March 2021	4.30%	310,112	–
1 June 2016	1 June 2019	3.10%	4,983,615	–
23 August 2016	23 August 2019	2.89%	1,511,302	–
27 February 2017	27 February 2019	4.65%	2,597,078	–
23 March 2017	23 March 2019	4.98%	1,826,963	–
23 March 2017	23 September 2019	4.98%	2,531,966	–
28 April 2017	28 April 2019	4.95%	4,784,082	–
20 October 2017	20 October 2019	5.03%	4,033,165	–
6 December 2017	6 December 2019	5.53%	4,094,705	–
			26,672,988	16,014,798

All of these bonds are denominated in RMB.

\* For the bonds issued on 15 March 2016, the Group has decided to exercise the early redemption option. On 14 March 2019, the redemption was completed.

^ For the bonds issued on 19 September 2016, the Group has decided to exercise the early redemption option. On 19 September 2018, the redemption was completed.

### 43. FINANCING INSTRUMENT PAYABLES

Financing instrument payables is a special type of financing allowed by CSRC.

As at 31 December 2018, for financing instrument payables issued by the Company, their coupon rates are from 3.35% to 5.40% (31 December 2017: 4.10% to 5.60%). Their principals and interests are not associated with any particular securities.

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### 44. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

#### (1) Financial liabilities held for trading:

##### Current

	As at 31 December	
	2018	2017
Equity Securities	13,312	–

#### (2) Financial liabilities designated as at fair value through profit or loss:

##### Non-current

	As at 31 December	
	2018	2017
Financing instruments payable linked to stock index	367,503	18,054
Structured products embedded with equity swaps	455,556	7,316
	823,059	25,370

##### Current

	As at 31 December	
	2018	2017
Financing instruments payable linked to stock index	361,490	238,407
Structured products embedded with equity swaps	260,837	4,714
	622,327	243,121

Financial instruments linked to stock index are financing instruments issued by the Group and its returns to holders are linked to performance of stock index.

Structured products embedded with equity swaps are payable to the clients at maturity of the corresponding derivatives and its balance is linked to performance of the corresponding equity swaps.

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### 45. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
<b>Non-current</b>	<b>2018</b>	2017
Third-party interests in consolidated structured entities	<b>2,096,097</b>	3,068,041
Interests payable	<b>–</b>	88,930
	<b>2,096,097</b>	3,156,971

	As at 31 December	
<b>Current</b>	<b>2018</b>	2017
Third-party interests in consolidated structured entities	<b>297,771</b>	305,412
Interests payable	<b>–</b>	1,604,394
Customer deposits held for over-the-counter transactions	<b>399,275</b>	1,134,205
Payables to margin client (Note 59)	<b>989,639</b>	1,009,228
Payables to clearing house (Note 59)	<b>26,380</b>	60,478
Value-added tax and other taxes	<b>153,996</b>	323,989
Accrued expenses	<b>84,774</b>	92,654
Sundry payables	<b>82,617</b>	114,056
Payable for the securities investor protection fund	<b>46,577</b>	44,696
Dividends payable	<b>–</b>	27,171
Payables to bulk commodity trading client	<b>92,614</b>	–
Payable for acquisition of a joint venture	<b>85,828</b>	–
Others	<b>355,425</b>	429,297
	<b>2,614,896</b>	5,145,580

As at 31 December 2018, the interests accrued on financial liabilities of the Group are included in the carrying amounts of the corresponding financial liabilities.

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### 46. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2018	2017
Secured short-term bank loans <sup>(1)</sup>	8,762	990,541
Unsecured short-term bank loans <sup>(2)</sup>	2,999,233	2,059,790
Margin funds loans <sup>(3)</sup>	2,000,000	–
Add: Interests payable	4,669	–
	<b>5,012,664</b>	3,050,331

- (1) The short-term bank loans borrowed by the Group are secured by shares listed in Hong Kong pledged to the Group as a security for advances to customers (with customers' consent) with a fair value of approximately RMB1,241 million as at 31 December 2018 (31 December 2017: RMB2,202 million). As at 31 December 2018, these short-term bank loans bear interest at Hongkong InterBank Offered Rate ("Hibor") plus 130 basis point per annum (31 December 2017: Hibor plus 125 to 155 basis point per annum) and are repayable within 7 days (31 December 2017: within 1 month).
- (2) As at 31 December 2018, the unsecured short-term bank loans bear interest at 2.31%-4.10% per annum (31 December 2017: 1.90%-2.50% per annum) and are repayable within 1 month (31 December 2017: within 1 month).
- (3) The margin funds loans borrowed by the Group from CSFCL are secured by cash collateral of RMB62 million and shares listed in the PRC with a fair value of approximately RMB439 million. These margin funds loans bear interest at 4.30% per annum and are repayable within 6 months.

### 47. 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 2018, included in the Group's accounts payable to brokerage clients were approximately RMB5,399 million (31 December 2017: RMB5,799 million) received from clients for margin financing and securities lending arrangements.

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### 48. ACCRUED STAFF COSTS

	As at 31 December	
	2018	2017
Salaries, bonus and allowances	2,064,363	2,913,795
Social welfare	13,229	10,906
Annuity schemes	14,640	13,769
Supplementary retirement benefits (Note)	345,668	308,056
Early retirement benefits	1,197	3,966
Others	152,422	139,105
	<b>2,591,519</b>	3,389,597

Note: Supplementary retirement benefits

Supplementary retirement benefits contains two parts: 1) pensions and medical benefits to qualified employees in Mainland China who retired on or before 31 December 2014 and still are alive at the end of the reporting period; 2) during the year ended 31 December 2017, additional supplementary benefits including heating and cooling expenses reimbursements to certain existing employees after their retirements were introduced to those employees by the Group. Accordingly, the increase in the present value of the supplementary retirement benefits for employee service in prior periods and current period were recognized as past service costs and current service costs respectively during the year ended 31 December 2017.

The present value of these supplementary retirement benefits, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The calculation of present value of supplementary retirement benefits at 31 December 2018 and 2017 were carried out by Ernst & Young (China) Advisory Limited.

Movements in the present value of supplementary retirement benefits are as follows:

	Year ended 31 December	
	2018	2017
Beginning of the year	308,056	295,645
Amounts charged to profit or loss:		
Current service costs	4,835	5,431
Past service costs	–	969
Interests on obligation	12,843	10,159
Benefits paid	(11,721)	(10,796)
Amount credited/(charged) to OCI:		
Actuarial losses arising from assumption changes	31,891	3,590
Actuarial (gains)/losses from experience adjustments	(236)	3,058
End of the year	<b>345,668</b>	308,056

Net interest on the net defined benefit plan liability was included in staff costs.

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### 48. ACCRUED STAFF COSTS (continued)

Note: Supplementary retirement benefits (continued)

Net interest on the net defined benefit plan liability was included in staff costs.

The plans typically expose the Group to interest rate risk and longevity risk.

- Interest rate risk: a decrease in the bond interest rate will increase the plan liability.
- Longevity risk: the present value of the defined benefit plan liability is calculated by reference to the best estimate of China Life Insurance Pension life table (CLA2010-2013). An increase in the life expectancy of the plan participants will increase the plan's liability.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Valuation at	
	31 December 2018 %	31 December 2017 %
Discount rates of supplementary retirement benefits	3.60	4.25
Expected rates of benefits increase	4.00	4.00
Mortality rates	According to the China Life Insurance Mortality Table (published historical statistics in China)	

Discount rates are set to be the government bond yields with similar maturities and vary for different types of benefits. As at 31 December 2018, the durations of these supplementary retirement benefits are 19.0 (31 December 2017: 18.0).

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate and benefit growth rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Effect on the pension	Change in assumptions	Benefit obligation	
		2018	2017
Discount rate	-50bps	28,036	24,219
Discount rate	+50bps	(24,946)	(21,603)
Benefit growth rate	-50bps	(16,332)	(14,923)
Benefit growth rate	+50bps	28,918	25,150

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### 49. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Current	As at 31 December	
	2018	2017
Analyzed by collateral type:		
Bonds	27,530,170	13,260,155
Rights and interests in margin loans	–	4,150,000
Funds	449,433	1,306,069
Add: Interests payable	80,337	–
	<b>28,059,940</b>	18,716,224
Analyzed by market of collateral:		
Stock exchanges	20,189,823	13,561,724
Interbank bond market	7,789,780	1,004,500
Over the counter	–	4,150,000
Add: Interests payable	80,337	–
	<b>28,059,940</b>	18,716,224

Financial assets sold under repurchase agreements bear effective interest at 2.61%-10.20% (31 December 2017: 3.63%-5.30%) per annum.

### 50. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	As at 31 December	
	2018	2017
Bank balances – house accounts	7,606,263	7,991,688
Clearing settlement funds – house accounts	1,039,329	1,034,706
	<b>8,645,592</b>	9,026,394

Cash and cash equivalent does not include bank deposits with original maturity of more than three months held by the Group. As at 31 December 2018, bank deposits with original maturity of more than three months held by the Group were RMB1,051 million (31 December 2017: RMB973 million).

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### 51. 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 manager 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 RMB93 million (31 December 2017: RMB104 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 2018 and 2017, the contributions from the Group to those collective asset management schemes equalled the committed investments and the Group's maximum losses are limited to the carrying amounts of these investments.

As at 31 December 2018, the total assets of the consolidated structured entities are RMB13,830 million (31 December 2017: RMB14,968 million) and the total net assets of the consolidated structured entities are RMB12,201 million (31 December 2017: RMB14,421, million). The carrying amount of third party interests in the consolidated structured entities are RMB2,394 million (31 December 2017: RMB3,373 million), and these interests are presented in Note 45.

The Group also has interests in unconsolidated collective asset management schemes which the remuneration of the Group is commensurate with the services provided and the variable returns the Group exposed are not considered significant. The Group therefore considers such decision-making rights is acting as an agent for the investors and hence did not consolidate these structured entities.

The size of unconsolidated structured entities managed by the Group amounted to RMB245,174 million as at 31 December 2018 (31 December 2017: RMB329,407 million). The Group's interests are equal to the maximum exposure to loss of interests held by the Group in these unconsolidated structured entities, which are amounted to RMB108 million as at 31 December 2018 (31 December 2017: RMB539 million).

During the year, the amount of management fee income and investment gains from the unconsolidated asset management schemes managed by the Group amounted to RMB772 million (31 December 2017: RMB743 million).



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### 51. INTERESTS IN STRUCTURED ENTITIES (continued)

#### (b) Structured entities set up and managed by third party institutions in which the Group holds an interest

The types of structured entities that the Group does not consolidate but in which it holds an interest include funds, asset management schemes, trust schemes, asset-backed securities and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the consolidated statement of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities as at 31 December 2018 and 31 December 2017, which are listed as below:

			<b>As at 31 December 2018</b>		
					<b>Financial assets measured at fair value through profit or loss</b>
Carrying amount of interests held by the Group					
– Funds					<b>12,766,502</b>
– Trust schemes and wealth management products					<b>2,572,235</b>
– Asset management schemes					<b>108,488</b>
– Others					<b>1,543,116</b>
<b>Total</b>					<b>16,990,341</b>
As at 31 December 2017					
	Available for-sale financial assets	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Investments classified as loan and receivables	Total
Carrying amount of interests held by the Group					
– Funds	3,778,746	4,026,553	498,858	–	8,304,157
– Trust schemes and wealth management products	1,713,040	–	6,543	2,736,282	4,455,865
– Asset management schemes	195,870	–	342,708	–	538,578
– Others	273,754	–	801,654	–	1,075,408
<b>Total</b>	<b>5,961,410</b>	<b>4,026,553</b>	<b>1,649,763</b>	<b>2,736,282</b>	<b>14,374,008</b>

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(Amounts in thousands of Renminbi, unless otherwise stated)

### 52. TRANSFERS OF FINANCIAL ASSETS

In the normal course of business, the Group enters into certain transactions in which they transfer recognized financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognizes all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards on these assets, the Group continues to recognize these assets.

#### Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security or rights and interests in a margin loan and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities and rights and interests in margin loans transferred. These securities and margin loans are not derecognized from the consolidated financial statements but regarded as “collateral” for the liabilities because the Group retain substantially all the risks and rewards of these securities and rights and interests in margin loans.

The proceeds from selling such securities are presented as financial assets sold under repurchase agreements, as disclosed in Note 49. 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 securities during the term of these arrangements.

The following tables provide a summary of carrying amounts and fair values related to the transferred financial assets that are not derecognized in their entirety and the associated liabilities:

As at 31 December 2018	Financial assets measured at fair value through profit and loss	Equity instruments measured at fair value through other comprehensive income	Debt instruments measured at fair value through other comprehensive income	Advances to customers	Total
Carrying amount of transferred assets	22,165,871	2,034,634	7,993,839	-	32,194,344
Carrying amount of associated liabilities	(19,339,407)	(1,769,271)	(6,951,262)	-	(28,059,940)
Net position	2,826,464	265,363	1,042,577	-	4,134,404

As at 31 December 2017	Financial assets held for trading	Financial assets designated as at fair value through profit and loss	Available-for-sale financial assets	Advances to customers	Total
Carrying amount of transferred assets	9,468,724	9,718	6,264,794	4,396,482	20,139,718
Carrying amount of associated liabilities	(8,761,674)	(8,990)	(5,795,560)	(4,150,000)	(18,716,224)
Net position	707,050	728	469,234	246,482	1,423,494

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 52. TRANSFERS OF FINANCIAL ASSETS (continued)

#### Securities lending arrangement

The Group entered into securities lending agreements with clients. As at 31 December 2018, it lent out its own equity securities and ETF classified as financial assets measured at fair value through profit or loss of RMB385 million (31 December 2017: RMB68 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 180 days. The Group has determined that it retains substantially all the risks and rewards of ownership of these securities and therefore has not derecognized these securities in the consolidated financial statements.

### 53. OPERATING LEASE COMMITMENTS

#### The Group as lessee

At 31 December 2018 and 2017, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

	As at 31 December	
	2018	2017
Within 1 year	485,181	457,136
Beyond 1 year and not more than 5 years	636,925	637,447
More than 5 years	61,199	67,112
	<b>1,183,305</b>	1,161,695

Lease of rented premises are negotiated with fixed lease term for 1 year to 11 years (31 December 2017: 1 year to 13 years).

#### The Group as lessor

At 31 December 2018 and 2017, the Group did not have material lease commitments as lessor.

### 54. CAPITAL COMMITMENTS

	As at 31 December	
	2018	2017
Contracted but not provided for		
Leasehold improvements	31,719	7,255
Property and equipment	59,661	–
	<b>91,380</b>	7,255

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### 55. 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 2018

Name	Fee	Salaries and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive Directors:					
Chen Gongyan	–	1,613	113	1,241	2,967
Gu Weiguo	–	1,613	113	1,117	2,843
Wu Chengming <sup>(1)</sup>	–	1,647	113	1,066	2,826
Non-executive Directors:					
Du Ping <sup>(2)(3)</sup>	–	–	–	–	–
Li Chaoyang <sup>(4)</sup>	–	709	768	400	1,877
Shi Xun <sup>(2)(4)</sup>	–	–	–	–	–
Liu Dingping <sup>(2)(5)</sup>	–	–	–	–	–
Zhang Jinghua <sup>(2)(6)</sup>	–	–	–	–	–
Independent Non-executive Directors:					
Liu Ruizhong	253	–	–	–	253
Liu Feng <sup>(7)</sup>	31	–	–	–	31
Luo Lin <sup>(8)</sup>	260	–	–	–	260
Wu Yuwu	240	–	–	–	240
Wang Zhenjun <sup>(9)</sup>	241	–	–	–	241
Supervisors:					
Chen Jing	–	1,613	113	1,092	2,818
Chen Jijiang	–	707	142	400	1,249
Liu Zhiyi	–	750	148	400	1,298
Tao Libin	120	–	–	–	120
Zhong Cheng <sup>(10)</sup>	–	385	43	400	828
	<b>1,145</b>	<b>9,037</b>	<b>1,553</b>	<b>6,116</b>	<b>17,851</b>

(1) Resigned as an executive director on 26 February 2019.

(2) The emoluments of these non-executive directors of the Company were borne or partially borne by its shareholders and other related parties including Galaxy Financial Holdings and Central Huijin Investment Ltd. ("Central Huijin"). No allocation of the emoluments among these related parties and the Group has been made.

(3) Resigned as a non-executive director on 31 October 2018.

(4) Resigned as a non-executive director on 26 February 2019.

(5) Appointed as a non-executive director on 9 February 2018.

(6) Resigned as a non-executive director on 9 February 2018.

(7) Resigned as an independent non-executive director on 9 February 2018.

(8) Resigned as an independent non-executive director on 26 February 2019.

(9) Appointed as an independent non-executive director on 9 February 2018.

(10) Resigned as a supervisor on 26 February 2019.

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### 55. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

For the year ended 31 December 2017

Name	Fee	Salaries and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive Directors:					
Chen Gongyan	–	1,663	109	1,350	3,122
Gu Weiguo	–	1,658	109	1,215	2,982
Wu Chengming	–	1,676	109	1,162	2,947
Non-executive Directors:					
Du Ping <sup>(1)</sup>	–	–	–	–	–
Li Chaoyang	–	661	1,222	1,397	3,280
Shi Xun <sup>(1)</sup>	–	–	–	–	–
Zhang Jinghua <sup>(1)(2)</sup>	–	–	–	–	–
Independent Non-executive Directors:					
Chi Fulin <sup>(3)</sup>	180	–	–	–	180
Liu Ruizhong <sup>(4)</sup>	60	–	–	–	60
Liu Feng <sup>(5)</sup>	290	–	–	–	290
Luo Lin	260	–	–	–	260
Wu Yuwu	240	–	–	–	240
Supervisors:					
Chen Jing <sup>(6)</sup>	–	1,656	109	1,188	2,953
Chen Jijiang	–	712	92	1,397	2,201
Liu Zhiyi	–	747	94	1,397	2,238
Tao Libin	120	–	–	–	120
Zhong Cheng	–	677	71	1,397	2,145
	1,150	9,450	1,915	10,503	23,018

(1) The emoluments of these non-executive directors of the Company were borne or partially borne by its shareholders and other related parties including Galaxy Financial Holdings and Central Huijin Investment Ltd. ("Central Huijin"). No allocation of the emoluments among these related parties and the Group has been made.

(2) Resigned as a non-executive director on 9 February 2018.

(3) Resigned as an independent non-executive director on 29 September 2017.

(4) Appointed as an independent non-executive director on 29 September 2017.

(5) Resigned as an independent non-executive director on 9 February 2018.

(6) Appointed as a supervisor on 3 March 2017.

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.

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(Amounts in thousands of Renminbi, unless otherwise stated)

### 55. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

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 these issuance of 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 2018 have not been finalized. Management of the Group believes that the difference between the final emoluments and that disclosed above will not have significant impact on the consolidated financial statements of the Group.

For the years ended 31 December 2018 and 2017, 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.

### 56. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, none of them are directors or supervisors of the Company. Details of the emolument of the five highest paid employees during the reporting periods are as follows:

	Year ended 31 December	
	2018	2017
Basic salaries and allowances	3,401	4,901
Bonuses	17,609	45,917
Employer's contribution to pension schemes	664	1,559
	<b>21,674</b>	52,377

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 2018 and 2017.

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### 56. 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	
	2018 No. of employees	2017 No. of employees
Emolument bands		
– HKD4,500,001 to HKD5,000,000	3	–
– HKD5,000,001 to HKD5,500,000	1	–
– HKD6,000,001 to HKD6,500,000	1	–
– HKD10,000,001, to HKD10,500,000	–	2
– HKD11,000,001 to HKD11,500,000	–	1
– HKD12,500,001 to HKD13,000,000	–	1
– HKD16,500,001 to HKD17,000,000	–	1
	5	5

### 57. RELATED PARTY TRANSACTIONS

#### (a) Transactions and balances with governmental related entities operated in the PRC

##### (1) Immediate holding company and its subsidiaries

Galaxy Financial Holdings is a financial holding company approved by the State Council of the PRC and was established in Beijing on 8 August 2005. Galaxy Financial Holdings owned 5,186,538,364 shares (31 December 2017: 5,160,610,864 shares), representing 51.16% of the entire equity interest of the Company as at 31 December 2018 (31 December 2017: 50.91%). 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 29.05% equity interest and the National Council for Social Security Fund (the “SSF”) with 1.88% equity interest.

Central Huijin is a wholly-owned subsidiary of China Investment Corporation Limited, and is established in Beijing, PRC. Central Huijin was established to hold certain equity investments as authorized by the State Council and does not engage in other commercial activities. Central Huijin exercises legal rights and obligations in the Group on behalf of the PRC Government.

MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies.

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 2018 and 2017, 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.

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### 57. 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)

	As at 31 December	
	2018	2017
Accounts receivable	8,500	9,055
Accounts payable to brokerage clients	84,373	1,075
Financial assets measured at fair value through profit or loss	–	300,000
Financing instrument payables	425,098	781,600
Interest payable	–	7,579

	Year ended 31 December	
	2018	2017
Commission and fee income	48,192	76,213
Other income, gains and losses	1,464	–
Interest expenses	21,337	25,671
Rental expenses paid or payable to	104,485	1,331
Investment gains	1,286	–

During the year ended 31 December 2018, the Group redeemed funds managed by a fellow subsidiary of Galaxy Financial Holdings. The aggregate values of these redemptions amounted to RMB301 million for the year ended 31 December 2018.

During the year ended 31 December 2017, the Group subscribed and redeemed funds managed by a fellow subsidiary of Galaxy Financial Holdings. The aggregate values of these subscriptions and redemptions amounted to RMB821 million and RMB521 million for the year ended 31 December 2017.

During the year ended 31 December 2017, the immediate holding company provided financing with an aggregate amount of RMB400 million to the Group for certain repurchase agreements and the Group incurred interest expenses of RMB0.28 million for these transactions. The aggregate fair values of financial assets in respect of these transactions amounted to RMB440 million.

##### (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.



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### 57. RELATED PARTY TRANSACTIONS (continued)

#### (a) Transactions and balances with governmental related entities operated in the PRC (continued)

##### (2) Central Huijin Group (continued)

The Group's material transactions with Central Huijin Group

	Year ended 31 December	
	2018	2017
Commission and fee income	140,174	472
Interest income from banks and other financial institutions within the Central Huijin Group	798,429	736,062
Investment gains of equity and debt securities issued by banks and other financial institutions within the Central Huijin Group	30,556	15,233
Interest expenses to brokerage clients within the Central Huijin Group	41,951	16,594
Other operating expenses	42	1,779

The Group's material balances with Central Huijin Group

	As at 31 December	
	2018	2017
Equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group classified as:		
– available-for-sale financial assets	–	1,431,703
– financial assets measured at FVTOCI	1,696,812	–
– financial assets measured at FVTPL (required by IFRS 9)	3,181,010	–
– financial assets held for trading (required by IAS 39)	–	575,392
– financial assets designated as at fair value through profit or loss (required by IAS 39)	–	48,242
Bank balances deposited with banks within the Central Huijin Group	28,285,338	30,421,048
Other receivables and prepayments	–	2,960
Due to banks and other financial institutions	1,132,050	677,079
Accounts payable to brokerage clients within the Central Huijin Group	1,617	779
Other payables and accruals	725	47,152
Financial assets held under repurchase agreements	4,172,506	1,004,500

As at 31 December 2018, the financial institutions within the Central Huijin Group has no investment (31 December 2017: invested an amount of RMB196 million) in collective asset management schemes and targeted asset management schemes launched by the Group.

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### 57. RELATED PARTY TRANSACTIONS (continued)

#### (a) Transactions and balances with governmental related entities operated in the PRC (continued)

##### (3) Transactions with other government-related entities in the PRC

Other than disclosed above, a significant portion of the Group's transactions are entered into with government-related entities including securities and futures dealing and broking, underwriting of debt securities, purchases and sales of government bonds, and equity and debt securities issued by other government-related entities. These transactions are entered into under normal commercial terms and conditions. At the end of the reporting period, the Group holds such investments in equity and debt securities and has balances with these government-related entities including accounts payable to brokerage clients.

The directors of the Company consider that transactions with government-related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the counterparties are government related entities.

#### (b) Other related parties in respect of key management personnel

##### (1) Other related parties in respect of key management personnel which have transactions with the Group are as follows:

Name	Relationship
China Galaxy Investment Management Company Limited ("Galaxy Investment")* 中國銀河投資管理有限公司	Note 1
E-Capital Transfer Co., Ltd. ("E-Capital Transfer") 證通股份有限公司	Note 2

Note 1: Mr. Song Weigang has served as the Vice President of Galaxy Financial Holdings and also as the chairman of Galaxy Investment since November 2016. Galaxy Investment became a subsidiary of the immediate holding company with effect from February 2018 when it was acquired by Galaxy Financial Holdings. Transactions with Galaxy Investment for the period from February to the reporting date are included in Note 57 (a) (1).

Note 2: Mr. Gu Weiguo serves as president of the Company and also as the non-executive director of E-Capital Transfer from January 2015.

\* This company does not have an official English name.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

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### 57. RELATED PARTY TRANSACTIONS (continued)

#### (b) Other related parties in respect of key management personnel (continued)

- (1) Other related parties in respect of key management personnel which have transactions with the Group are as follows: (continued)

The Group's material transactions with other related parties in respect of key management personnel

*Other income, gains and losses*

	Year ended 31 December	
	2018	2017
Galaxy Investment	133	1,693

*Expenses paid or payable to*

	Year ended 31 December	
	2018	2017
Galaxy Investment	21,424	122,089
E-Capital Transfer	2,899	3,454

*Interest expenses*

	Year ended 31 December	
	2018	2017
Galaxy Investment	49	558

The Group's material balances with other related parties in respect of key management personnel

*Accounts payable to brokerage clients*

	As at 31 December	
	2018	2017
Galaxy Investment	-	887

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### 57. RELATED PARTY TRANSACTIONS (continued)

#### (b) Other related parties in respect of key management personnel (continued)

##### (1) Other related parties in respect of key management personnel which have transactions with the Group are as follows: (continued)

The Group's lease commitments with Galaxy Investment

	As at 31 December	
	2018	2017
The Group as lessee		
Within 1 year	137,269	114,674
Beyond 1 year and not more than 2 years	974	120,408
	<b>138,243</b>	235,082

##### (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 2018 and 2017 comprises:

	Year ended 31 December	
	2018	2017
Salaries, allowances, bonuses, social welfare and annuity scheme contribution	39,304	47,503

The key management personnel's final compensation packages for the year ended 31 December 2018 have not yet been finalized in accordance with regulations of the PRC relevant authorities. Management of the Group believes that the difference between the final emoluments and that disclosed above will not have significant impact on the consolidated financial statements of the Group. The total compensations for the year ended 31 December 2017 was restated to the amounts determined during the year ended 31 December 2018.

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### 58. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

	As at 31 December	
	2018	2017
<b>Financial assets</b>		
Loans and receivables	–	186,200,997
– Financial assets held under resale agreements	–	38,256,131
– Investments classified as loans and receivables	–	4,984,147
– Deposits with exchanges and a non-bank financial institution	–	5,836,550
– Bank balances	–	59,741,699
– Advances to customers	–	60,063,731
– Accounts receivable	–	1,002,842
– Other financial assets	–	3,777,405
– Clearing settlement funds	–	12,538,492
Financial assets at amortized cost	<b>159,986,775</b>	–
– Debt instruments measured at amortized cost	<b>5,061,778</b>	–
– Financial assets held under resale agreements	<b>39,967,074</b>	–
– Deposits with exchanges and a non-bank financial institution	<b>5,275,827</b>	–
– Bank balances	<b>51,413,631</b>	–
– Advances to customers	<b>44,631,943</b>	–
– Accounts receivable	<b>643,112</b>	–
– Other financial assets	<b>306,867</b>	–
– Clearing settlement funds	<b>12,686,543</b>	–
Held-to-maturity investments	–	3,545,173
Available-for-sale financial assets	–	34,060,841
Debt instruments measured at fair value through other comprehensive income	<b>17,299,230</b>	–
Equity instruments measured at fair value through other comprehensive income	<b>9,777,435</b>	–
Financial assets measured at fair value through profit or loss (FVTPL)	<b>60,338,281</b>	29,010,296
– Mandatorily measured at FVTPL	<b>60,338,281</b>	23,249,704
– Designated as at FVTPL	–	5,760,592
Derivative financial assets	<b>76,291</b>	22,936
<b>Financial liabilities</b>		
Financial liabilities at amortized cost	<b>180,282,383</b>	185,438,125
– Bonds payable	<b>69,729,006</b>	61,754,273
– Financing instrument payables	<b>16,532,869</b>	29,454,520
– Other financial liabilities	<b>4,252,630</b>	7,675,645
– Accounts payable to brokerage clients	<b>56,695,274</b>	64,787,132
– Due to banks and other financial institutions	<b>5,012,664</b>	3,050,331
– Financial assets sold under repurchase agreements	<b>28,059,940</b>	18,716,224
Financial liabilities held for trading	<b>13,312</b>	–
Financial liabilities measured at fair value through profit or loss	<b>1,445,386</b>	268,491
Derivative financial liabilities	<b>213,413</b>	135,150

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### 59. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group offsets the following financial assets and financial liabilities since the Group currently has a legally enforceable right to set off the balances, and intends either to settle on a net basis, or to realize the balances simultaneously.

#### (a) Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements

As at 31 December 2018

Type of financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position		Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
	Gross amounts of recognized financial assets	consolidated statement of financial position		Financial* instruments	Cash collateral received	
Advances to customers <sup>(1)</sup>	1,813,204	(107,012)	1,706,192	(1,595,226)	(82,913)	28,053
Accounts receivable from clearing house <sup>(2)</sup>	313,372	(265,806)	47,566	–	(26,380)	21,186
Total	2,126,576	(372,818)	1,753,758	(1,595,226)	(109,293)	49,239

As at 31 December 2017

Type of financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position		Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
	Gross amounts of recognized financial assets	consolidated statement of financial position		Financial* instruments	Cash collateral received	
Advances to customers <sup>(1)</sup>	2,665,457	(185,068)	2,480,389	–	(2,421,863)	58,526
Accounts receivable from clearing house <sup>(2)</sup>	658,683	(359,950)	298,733	–	–	298,733
Total	3,324,140	(545,018)	2,779,122	–	(2,421,863)	357,259

\* These represents market values of shares pledged by customers which are capped at the outstanding balances of respective customers.

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### 59. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

#### (b) Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

As at 31 December 2018

Type of financial liabilities	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
Accounts payable to						
– margin clients <sup>(1)</sup>	1,096,651	(107,012)	989,639	(82,913)	–	906,726
– clearing house <sup>(2)</sup>	292,186	(265,806)	26,380	(26,380)	–	–
Total	1,388,837	(372,818)	1,016,019	(109,293)	–	906,726

As at 31 December 2017

Type of financial liabilities	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
Accounts payable to						
– margin clients <sup>(1)</sup>	1,194,296	(185,068)	1,009,228	–	–	1,009,228
– clearing house <sup>(2)</sup>	420,428	(359,950)	60,478	(17,231)	–	43,247
Total	1,614,724	(545,018)	1,069,706	(17,231)	–	1,052,475

Notes:

- (1) Under the agreements signed between the Group and its clients, certain amounts receivable and payable with the same clients on the same settlement date are settled on net basis.
- (2) Under the continuous net settlement, certain receivables and payables with Hong Kong Securities Clearing Company Limited and other brokers on the same settlement dates are settled on net basis.

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(Amounts in thousands of Renminbi, unless otherwise stated)

### 59. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

#### (b) Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements (continued)

The table below reconciles the “Net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position” as set out above, to the line item presented in the consolidated statement of financial position.

	As at 31 December	
	2018	2017
<b>Advances to customers</b>		
Net amount of advances to customers as stated above	<b>1,706,192</b>	2,480,389
Amount not in scope of offsetting disclosures	<b>42,925,751</b>	57,583,342
Total amount of advances to customers as stated in Note 35	<b>44,631,943</b>	60,063,731

	As at 31 December	
	2018	2017
<b>Accounts receivable from clearing house</b>		
Net amount of accounts receivable from clearing house as stated above	<b>47,566</b>	298,733
Amount not in scope of offsetting disclosures	<b>38,274</b>	–
Total amount of accounts receivable from clearing house as stated in Note 36	<b>85,840</b>	298,733

### 60. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group’s consolidated statement of cash flows as cash flows from financing activities.

	Bonds payable	Financing instruments payables	Due to banks and other financial institutions	Interests payable	Dividends payable	Third party interests in consolidated structured entities	Total
At 31 December 2017	61,754,273	29,454,520	2,550,331	1,643,001	27,171	3,373,453	98,802,749
Interests payable as at 31 December 2017	237,231	1,404,070	1,700	(1,643,001)	–	–	–
Financing cash flows	4,119,991	(15,191,549)	382,551	–	(1,243,642)	(1,144,994)	(13,077,643)
Non-cash changes:							
Interests expenses	3,617,511	865,828	76,197	–	–	165,409	4,724,945
Dividends declared	–	–	–	–	1,216,471	–	1,216,471
At 31 December 2018	69,729,006	16,532,869	3,010,779	–	–	2,393,868	91,666,522



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(Amounts in thousands of Renminbi, unless otherwise stated)

### 60. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

	Bonds payable	Financing instruments payables	Due to banks and other financial institutions	Interests payable	Dividends payable	Third party interests in consolidated structured entities	Total
At 1 January 2017	46,312,382	11,518,110	1,785,422	1,603,743	–	4,404,987	65,624,644
Financing cash flows	15,359,676	17,936,410	764,909	(3,065,567)	(1,574,295)	(1,181,143)	28,239,990
Non-cash changes:							
Interests expenses	82,215	–	–	3,104,825	–	149,609	3,336,649
Dividends declared	–	–	–	–	1,601,466	–	1,601,466
At 31 December 2017	61,754,273	29,454,520	2,550,331	1,643,001	27,171	3,373,453	98,802,749

The ending balances as at 31 December 2018 and 2017 shown above excluded certain amount from due to banks and other financial institutions and interests accrued on them as they were related to operating activities of the Group.

### 61. 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.

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(Amounts in thousands of Renminbi, unless otherwise stated)

### 61. FINANCIAL RISK MANAGEMENT (continued)

#### Risk management organizational structure

The risk management of the Company at the upper level involves the Board of Directors, the Board of Supervisors and the management as the major bodies of the comprehensive risk management system and according to the “three-layer defence” lays down the foundation of risk management, incorporates risk management of subsidiaries in single system and implements a vertical management of risks, among which:

The Board of Directors is the highest decision-making body of the risk management system, taking the ultimate responsibility for the Company’s risk management duties through its sub-committees Compliance and Risk Management Committee and Audit Committee. The Board of Supervisors monitors whether the Board of Directors and the management have fulfilled their responsibilities in respect of risk management on a timely and effective manner according to laws and regulations. The management is responsible for the implementation of risk management strategies, objectives and policies. The chief risk officer is in charge of overall risk management.

Business departments, functional departments and branches are charged with the primary responsibility for risk management. They shall execute the Company’s risk management strategies and policies, understand and give due consideration to various risks when making decisions, and timely and effectively identify, assess, monitor and report relevant risks. The Company deploys dedicated/part-time risk management and compliance personnel in business departments and branches to be responsible for management of specific risks and compliance management. Risk Management Department, Legal and Compliance Department, Financial Management Departments, Capital Management Department, Audit Department and Disciplinary Inspection Office are responsible for monitoring and managing various risks.

Each subsidiary establishes its own risk management framework, policies, IT system and risk control indicator system according to the risk appetite and framework of the Company and the Company’s requirement on comprehensive risk management for its subsidiaries. It has to ensure consistency and effectiveness of overall risk management, taking into account of factors such as its own capital level, risk tolerance and complexity of business.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

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### 61. FINANCIAL RISK MANAGEMENT (continued)

#### 61.1 Credit risk

Credit risk is the risk of loss due to failures or inability to fulfil obligations by counterparties, or the downgrade of credit rating of them. The Group's financial assets exposed to credit risk mainly include advances to customers, accounts receivable, other financial assets, held-to-maturity investments, investments classified as loans and receivables, financial assets measured at amortized cost, available-for-sale financial assets, financial assets measured at FVTOCI, financial assets held under resale agreements, financial assets measured at FVTPL, deposits with exchanges and a non-bank financial institution, clearing settlement funds and bank balances. Taking no account of collateral or other credit enhancements, the maximum credit exposure of financial assets to the extent exposed to credit risk approximates 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 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, interests or securities lent to them. The Group monitors margin trading clients' accounts on an individual customer basis and call for additional margin deposits, cash collateral or securities, whenever necessary. The advances to margin clients are monitored through their collateral ratios, which ensure the value of the pledged assets is sufficient to cover the advances. As at 31 December 2018 and 2017, the collateral ratios of most of the Group's margin clients were above 130%, respectively.

The credit risk of the Group also arises from their securities and futures brokerage business. In the case of customers failing to deposit adequate funds, the Group may have to complete trade settlements by using their own funds. To mitigate these credit risks, the Group requires cash deposit of full amounts for all transactions before they settle on behalf of customers.

As at 31 December 2018, 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 2018, the total amount of the securities (both the Group's own securities and securities borrowed by the Group) lent to clients amounted to RMB385 million (31 December 2017: RMB73 million).

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

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(Amounts in thousands of Renminbi, unless otherwise stated)

## 61. FINANCIAL RISK MANAGEMENT (continued)

### 61.1 Credit risk (continued)

#### Impairment under ECL model

As disclosed in Note 2.1, since 1 January 2018, the Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 using 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 a non-bank financial institution, clearing settlement funds and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The key inputs used for measuring ECL based on “probability of default” approach are probability of default (PD), loss given default (LGD) and exposure at default (EAD); or, based on loss rate approach, the key input is 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.

#### 61.1.1 Significant increase in credit risk

As explained in Note 2.1.1, except for accounts receivable without significant financing component which are always measured on 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;
- 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;

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(Amounts in thousands of Renminbi, unless otherwise stated)

## 61. FINANCIAL RISK MANAGEMENT (continued)

### 61.1 Credit risk (continued)

#### Impairment under ECL model (continued)

##### 61.1.1 Significant increase in credit risk (continued)

- 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.

##### 61.1.2 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 of credit risk as well as in its measurement of ECL. 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.

##### 61.1.3 Measurement of ECL

The measurement of ECL is a function of the PD, LGD and EAD based on 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 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.

The Group measures ECL 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 contact extension or renewal is common business practice.

The measurement of ECL is based on 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.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 61. FINANCIAL RISK MANAGEMENT (continued)

#### 61.1 Credit risk (continued)

##### Impairment under ECL model (continued)

##### 61.1.3 Measurement of ECL (continued)

##### *Groupings based on shared risks characteristics*

When ECL 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.

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

As at 31 December 2018	Notes	12-month or lifetime ECL	Gross carrying amount	ECL
<b>Financial assets held under resale agreements</b>	25	12-month ECL	39,254,776	75,674
		Lifetime ECL (not credit-impaired)	418,840	6,391
		Credit-impaired	408,220	32,697
			40,081,836	114,762
<b>Debt instruments measured at fair value through other comprehensive income</b>	27	12-month ECL	17,061,951	24,582
		Lifetime ECL (not credit-impaired)	237,279	3,940
		Credit-impaired	–	–
			17,299,230	28,522
<b>Debt instruments measured at amortized cost</b>	29	12-month ECL	5,055,824	3,359
		Lifetime ECL (not credit-impaired)	–	–
		Credit-impaired	14,900	5,587
			5,070,724	8,946
<b>Advances to customers</b>	35	12-month ECL	44,689,265	69,495
		Lifetime ECL (not credit-impaired)	16,002	3,829
		Credit-impaired	28,371	28,371
			44,733,638	101,695
<b>Other financial assets measured at amortized cost*</b>		12-month ECL	69,569,873	7,449
		Lifetime ECL (not credit-impaired)	685,234	13,832
		Credit-impaired	462,600	370,447
			70,717,707	391,728
<b>Total</b>			177,903,135	645,653

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### 61. FINANCIAL RISK MANAGEMENT (continued)

#### 61.1 Credit risk (continued)

##### Impairment under ECL model (continued)

##### 61.1.3 Measurement of ECL (continued)

- \* Other financial assets measured at amortized cost include accounts receivable, other receivables, deposits with exchanges and a non-bank financial institution, clearing settlement funds and bank balances.

The following tables show reconciliation of loss allowances that has 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
<b>As at 1 January 2018</b>	50,072	30,075	-	80,147
Changes due to financial instruments recognized as at 1 January:				
– Transfers between stages				
– Increase	10,005	158	1,459	11,622
– Decrease	(1,617)	(10,005)	-	(11,622)
– Impairment losses recognized	10,185	4,566	32,276	47,027
– Impairment losses reversed	(13,187)	(20,059)	(141)	(33,387)
New financial assets originated or purchased	20,216	1,656	-	21,872
Transfer out	-	-	(897)	(897)
<b>As at 31 December 2018</b>	75,674	6,391	32,697	114,762

Due to the fluctuation of the stock market, the collateral valuations fell short of the related resale agreements amount. The overall increase of the loss allowance for financial assets held under resale agreements was RMB69 million for the year ended 31 December 2018.

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### 61. FINANCIAL RISK MANAGEMENT (continued)

#### 61.1 Credit risk (continued)

##### Impairment under ECL model (continued)

##### 61.1.3 Measurement of ECL (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
<b>As at 1 January 2018</b>	29,824	–	–	29,824
Changes due to financial instruments recognized as at 1 January:				
– Transfers between stages				
– Increase	–	350	–	350
– Decrease	(350)	–	–	(350)
– Impairment losses recognized	1,522	2,243	–	3,765
– Impairment losses reversed	(15,313)	–	–	(15,313)
New financial assets originated or purchased	8,899	1,347	–	10,246
<b>As at 31 December 2018</b>	24,582	3,940	–	28,522

- (3) Loss allowances for debt instruments measured at amortized cost

	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
<b>As at 1 January 2018</b>	2,475	–	–	2,475
Changes due to financial instruments recognized as at 1 January:				
– Transfers between stages				
– Increase	–	–	–	–
– Decrease	–	–	–	–
– Impairment losses recognized	571	–	–	571
– Impairment losses reversed	(2,265)	–	–	(2,265)
New financial assets originated or purchased	2,578	–	5,587	8,165
<b>As at 31 December 2018</b>	3,359	–	5,587	8,946



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### 61. FINANCIAL RISK MANAGEMENT (continued)

#### 61.1 Credit risk (continued)

##### Impairment under ECL model (continued)

##### 61.1.3 Measurement of ECL (continued)

- (4) Loss allowances for advances to customers

	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
<b>As at 1 January 2018</b>	72,347	3,110	32,974	108,431
Changes due to financial instruments recognized as at 1 January:				
– Transfers between stages				
– Increase	497	1,848	281,320	283,665
– Decrease	(281,214)	(986)	(1,465)	(283,665)
– Impairment losses recognized	299,360	252	2,254	301,866
– Impairment losses reversed	(47,734)	(416)	(2,796)	(50,946)
– Write-offs	–	–	(13,630)	(13,630)
New financial assets originated or purchased	26,239	21	10,514	36,774
Transfer out	–	–	(280,800)	(280,800)
<b>As at 31 December 2018</b>	69,495	3,829	28,371	101,695

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 RMB339 million for the year ended 31 December 2018.

- (5) Loss allowances for other financial assets measured at amortized cost

	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
<b>As at 1 January 2018</b>	6,099	4,945	22,990	34,034
Changes due to financial instruments recognized as at 1 January:				
– Transfers between stages				
– Increase	–	–	2,482	2,482
– Decrease	(2,327)	(155)	–	(2,482)
– Impairment losses recognized	4,184	1,531	75,773	81,488
– Impairment losses reversed	(2,482)	(1,565)	(8,519)	(12,566)
– Write-offs	–	–	(3,976)	(3,976)
New financial assets originated or purchased	1,975	9,076	–	11,051
Transfer in	–	–	281,697	281,697
<b>As at 31 December 2018</b>	7,449	13,832	370,447	391,728

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### 61. FINANCIAL RISK MANAGEMENT (continued)

#### 61.1 Credit risk (continued)

##### Impairment under ECL model (continued)

##### 61.1.3 Measurement of ECL (continued)

- (5) Loss allowances for other financial assets measured at amortized cost (continued)

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.

The tables below summarize the Group's investments in bonds by their external credit rating.

External credit rating	As at 31 December	
	2018	2017
<b>Domestic bonds</b>		
China's Sovereign Credit	5,087,077	2,236,943
AAA	35,115,787	20,686,389
AA+	7,929,666	4,846,328
AA	7,601,523	6,971,152
AA-	71,520	–
Under AA-	9,618	14,276
A-1	2,406,127	325,265
Not rated	219,293	519,268
<b>Subtotal</b>	<b>58,440,611</b>	<b>35,599,621</b>
<b>Offshore bonds</b>		
A	5,510	–
B	173,107	144,033
Not rated	3,449	–
<b>Subtotal</b>	<b>182,066</b>	<b>144,033</b>
<b>Total</b>	<b>58,622,677</b>	<b>35,743,654</b>

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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### 61. FINANCIAL RISK MANAGEMENT (continued)

#### 61.2 Market risk

Market risk is the risk of loss arising from adverse change in fair value or movement in cash flows in respect of financial instruments, due to interest rate risk, currency risk or price risk.

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group utilizes sensitivity analysis as the main tool of monitoring interest rate risk and measuring the impact to profit and equity for a reasonable and possible change of interest rates, assuming all other variables were held constant. Debt securities of the Group mainly comprise corporate bonds, and the Group mitigates the interest rate risk through monitoring the durations and convexities of its bond portfolios. Interest rate risk in connection with cash held on behalf of customers in bank balances and clearing settlement funds is offset by the associated accounts payable to brokerage clients because their terms match with each other.

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 2018

	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
<u>Financial assets</u>					
Advances to customers	44,631,943	–	–	–	44,631,943
Debt instruments measured at fair value					
through other comprehensive income	7,721,329	3,267,328	2,924,322	3,386,251	17,299,230
Debt instruments measured at amortized cost	1,682,090	1,449,737	515,209	1,414,742	5,061,778
Financial assets held under resale agreements	21,292,223	18,674,851	–	–	39,967,074
Financial assets measured at fair value					
through profit or loss	12,602,087	9,279,403	6,937,749	7,701,488	36,520,727
Clearing settlement funds	12,686,543	–	–	–	12,686,543
Bank balances	51,413,542	–	–	–	51,413,542
Subtotal	152,029,757	32,671,319	10,377,280	12,502,481	207,580,837
<u>Financial liabilities</u>					
Bonds payable	26,672,988	43,056,018	–	–	69,729,006
Due to banks and other financial institutions	5,012,664	–	–	–	5,012,664
Financing instrument payables	13,289,357	3,243,512	–	–	16,532,869
Accounts payable to brokerage clients	56,695,274	–	–	–	56,695,274
Financial assets sold under repurchase agreements	28,059,940	–	–	–	28,059,940
Other financial liabilities	902,070	1,157,046	–	334,752	2,393,868
Subtotal	130,632,293	47,456,576	–	334,752	178,423,621
Net interest-bearing position	21,397,464	(14,785,257)	10,377,280	12,167,729	29,157,216

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### 61. FINANCIAL RISK MANAGEMENT (continued)

#### 61.2 Market risk (continued)

##### Interest rate risk (continued)

As at 31 December 2017

	Less than 1 year	More than 1 but less than 3 years	More than 3 but less than 5 years	More than 5 years	Total
<u>Financial assets</u>					
Advances to customers	60,063,731	–	–	–	60,063,731
Available-for-sale debt securities	1,343,748	6,258,832	6,312,101	2,236,745	16,151,426
Investments classified as loans and receivables	2,247,865	–	2,736,282	–	4,984,147
Held-to-maturity investments	2,125,632	–	158,062	1,261,479	3,545,173
Financial assets held under resale agreements	14,340,106	23,916,025	–	–	38,256,131
Financial assets held for trading	2,919,389	4,170,827	4,854,821	3,828,414	15,773,451
Financial assets designated as at fair value through profit or loss	167,469	71,912	30,883	3,340	273,604
Clearing settlement funds	12,538,492	–	–	–	12,538,492
Bank balances	59,741,473	–	–	–	59,741,473
<b>Subtotal</b>	<b>155,487,905</b>	<b>34,417,596</b>	<b>14,092,149</b>	<b>7,329,978</b>	<b>211,327,628</b>
<u>Financial liabilities</u>					
Bonds payable	16,014,798	43,854,205	1,885,270	–	61,754,273
Due to banks and other financial institutions	3,050,331	–	–	–	3,050,331
Financing instrument payables	25,274,330	4,180,190	–	–	29,454,520
Accounts payable to brokerage clients	64,787,132	–	–	–	64,787,132
Financial assets sold under repurchase agreements	18,716,224	–	–	–	18,716,224
Other financial liabilities	305,412	2,296,273	433,023	338,745	3,373,453
<b>Subtotal</b>	<b>128,148,227</b>	<b>50,330,668</b>	<b>2,318,293</b>	<b>338,745</b>	<b>181,135,933</b>
<b>Net interest-bearing position</b>	<b>27,339,678</b>	<b>(15,913,072)</b>	<b>11,773,856</b>	<b>6,991,233</b>	<b>30,191,695</b>

##### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing assets and liabilities. When reporting to the management on the interest rate risk, a 100 basis points increase or decrease in the relevant interest rates will be adopted for sensitivity analysis, assuming all other variables were held constant, which represents a reasonably possible change in interest rates.

The analysis is prepared assuming:

- Interest income and expenses are recorded in profit of loss for when interest-bearing financial assets or liabilities are repriced or reinvested at 100 basis points higher or lower when their interests are re-priced or mature; and
- Fair values of interest-sensitive financial assets and liabilities change in responses to changes in 100 basis points by using duration analysis.

# SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

## 61. FINANCIAL RISK MANAGEMENT (continued)

### 61.2 Market risk (continued)

#### Interest rate risk (continued)

*Sensitivity analysis (continued)*

A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax or vice versa.

	Year ended 31 December	
	2018	2017
<b>Profit before income tax for the year</b>		
Increase by 100 basis points	<b>(816,822)</b>	(245,294)
Decrease by 100 basis points	<b>816,822</b>	245,294

	Year ended 31 December	
	2018	2017
<b>Other comprehensive income before income tax</b>		
Increase by 100 basis points	<b>(416,980)</b>	(468,782)
Decrease by 100 basis points	<b>416,980</b>	468,782

#### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Group's currency risk primarily relates to the Group's operating activities whose settlements and payments are denominated in foreign currencies which are different from the respective group entity's functional currency.

The foreign currency assets and liabilities held by the Group are not material compared to the total assets and liabilities. In terms of the Group's revenue structure, the majority of the business transactions are denominated in RMB, and the proportion of foreign currency transactions is not significant to the Group. The Group considers that the currency risk of the Group's operations is immaterial due to the relatively low proportion of the Group's foreign currency denominated assets, liabilities, income and expense, as compared to the Group's total assets, liabilities, income and expenses. Hence, no further analysis is presented.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 61. FINANCIAL RISK MANAGEMENT (continued)

#### 61.2 Market risk (continued)

##### Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to investments in equity securities, funds, convertible bonds, derivatives and collective asset management schemes whose values will fluctuate as a result of changes in market prices. Most of these investments are made in the capital markets in China.

The Group's price risk management policy requires setting and managing investment objectives. The directors of the Company manage price risk by holding an appropriately diversified investment portfolio, setting limits for investments in different securities and closely monitoring the portfolio of investments to reduce the risk of concentration in any one specific industry or issuer. Therefore, in general concentration risk of the Group in respect of price risk is not significant, except for the Group's participation in the account managed by CSFCL as disclosed in Note 26 and Note 28. The Group uses derivatives contracts to hedge against certain exposures arising from its investment portfolio.

##### Sensitivity analysis

The analysis below is performed to show the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of equity securities, funds, convertible bonds, trust schemes, derivatives and asset management schemes by 10% with all other variables held constant. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax or vice versa.

	Year ended 31 December	
	2018	2017
<b>Profit before income tax for the year</b>		
Increase by 10%	<b>1,818,959</b>	955,174
Decrease by 10%	<b>(1,818,959)</b>	(955,174)

	Year ended 31 December	
	2018	2017
<b>Other comprehensive income before income tax</b>		
Increase by 10%	<b>977,743</b>	1,764,121
Decrease by 10%	<b>(977,743)</b>	(1,764,121)

# SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

## 61. FINANCIAL RISK MANAGEMENT (continued)

### 61.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to shortages of capital or funds. During the normal course of business, the Group may face liquidity risk caused by macroeconomic policy change, market fluctuations, poor operations, credit downgrades, mismatch of assets and liabilities, low turnover rate of assets, underwriting on a firm commitment basis, significant proprietary trading position, or any significant illiquid long-term investments. If the Group fails to address any liquidity risk by adjusting the asset structure or comply with regulatory requirements on certain risk indicators, the Group could be penalized by the regulatory authority, which could cause adverse impacts to the Group's operations and reputations.

The measures of the group's liquidity risk management mainly include:

- (1) Establish a centralized fund management mechanism and an effective fund regulation mechanism.

To cope with and manage liquidity risk effectively, the Company has strengthened monitoring and management over fund transfers of significant amounts in order to achieve centralized fund allocation and coordinated liquidity risk management: incorporated debt financing and leverage ratios into risk authorization systems; established liquidity risk index system; monitored and reported liquidity of the Company on a daily basis; risk warning in a timely manner; conducted regular and ad-hoc stress tests to analyze and evaluate the level of liquidity risk; continuously optimized asset-liability structure to build a multi-level liquidity reserve system; and achieved diversification of financing channels through money market, capital market and bank borrowings.

- (2) Establish a stable liquidity risk management report system.

The Group prepares different financing plans for different periods, and reports implementations of financing plans to reflect the management of liquidity risk.

- (3) Increase working capital and liquidity by issuing shares and corporate bonds.

The Group increases its working capital and liquidity by issuing shares, corporate bonds, financing instruments payables, transfer of rights and interests in margin loans to support the development of margin financing and other businesses.

#### Undiscounted cash flows by contractual maturities

The tables below present the cash flows receivable and payable by the Group for financial assets and liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flows. The tables include both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 61. FINANCIAL RISK MANAGEMENT (continued)

#### 61.3 Liquidity risk (continued)

##### Undiscounted cash flows by contractual maturities (continued)

As at 31 December 2018

	Indefinite	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
<b>Financial assets</b>							
Advances to customers	-	1,663,671	14,529,802	29,745,095	-	-	45,938,568
Accounts receivable	-	479,715	-	131,332	32,064	-	643,111
Other financial assets	-	202,057	-	104,810	-	-	306,867
Debt instruments measured at amortized cost	-	-	177,767	558,939	3,799,616	1,686,140	6,222,462
Debt instruments measured at fair value through other comprehensive income	-	-	272,932	2,125,952	13,091,274	5,308,137	20,798,295
Equity instruments measured at fair value through other comprehensive income	9,777,435	-	-	-	-	-	9,777,435
Financial assets held under resale agreements	-	-	6,105,480	16,073,436	21,331,428	-	43,510,344
Financial assets measured at fair value through profit or loss	21,537,151	-	2,739,663	8,601,269	23,712,770	9,647,716	66,238,569
Derivative financial assets	-	23,928	20,913	8,441	23,009	-	76,291
Deposits with exchanges and a non-bank financial institution	-	5,275,827	-	-	-	-	5,275,827
Clearing settlement funds	-	12,686,543	-	-	-	-	12,686,543
Bank balances	-	41,116,986	2,919,890	7,548,618	-	-	51,585,494
<b>Subtotal</b>	<b>31,314,586</b>	<b>61,448,727</b>	<b>26,766,447</b>	<b>64,897,892</b>	<b>61,990,161</b>	<b>16,641,993</b>	<b>263,059,806</b>
<b>Financial liabilities</b>							
Bonds payable	-	-	7,981,248	21,374,263	44,302,011	-	73,657,522
Due to banks and other financial institutions	-	-	3,017,073	2,043,478	-	-	5,060,551
Financing instrument payables	-	-	6,286,552	7,236,782	3,488,222	-	17,011,556
Accounts payable to brokerage clients	-	56,695,274	-	-	-	-	56,695,274
Other financial liabilities	334,752	2,605,522	5,338	149,973	1,157,045	-	4,252,630
Financial liabilities measured at fair value through profit or loss	-	-	360,255	275,384	823,059	-	1,458,698
Derivative financial liabilities – net settlement	-	10,511	65,839	74,267	62,796	-	213,413
Financial assets sold under repurchase agreements	-	-	26,751,427	1,575,452	-	-	28,326,879
<b>Subtotal</b>	<b>334,752</b>	<b>59,311,307</b>	<b>44,467,732</b>	<b>32,729,599</b>	<b>49,833,133</b>	<b>-</b>	<b>186,676,523</b>
<b>Net position</b>	<b>30,979,834</b>	<b>2,137,420</b>	<b>(17,701,285)</b>	<b>32,168,293</b>	<b>12,157,028</b>	<b>16,641,993</b>	<b>76,383,283</b>



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 61. FINANCIAL RISK MANAGEMENT (continued)

#### 61.3 Liquidity risk (continued)

##### Undiscounted cash flows by contractual maturities (continued)

As at 31 December 2017

	Indefinite	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
<b>Financial assets</b>							
Advances to customers	-	2,480,389	16,960,490	44,874,064	-	-	64,314,943
Accounts receivable	-	1,002,842	-	-	-	-	1,002,842
Other financial assets	-	124,303	-	-	-	-	124,303
Investments classified as loans and receivables	-	-	-	2,284,325	3,479,582	-	5,763,907
Held-to-maturity investments	-	-	1,431,145	883,103	394,992	1,540,920	4,250,160
Available-for-sale financial assets	17,060,287	-	418,432	1,978,061	14,894,272	3,977,442	38,328,494
Financial assets held under resale agreements	-	81,266	2,214,705	12,680,637	27,186,515	-	42,163,123
Financial assets held for trading	7,476,252	-	864,060	2,505,368	11,234,353	4,678,927	26,758,960
Financial assets designated as at fair value through profit or loss	3,724,203	6,543	633,022	725,169	344,854	343,500	5,777,291
Derivative financial assets	-	15,291	-	7,645	-	-	22,936
Deposits with exchanges and a non-bank financial institution	-	5,836,550	-	-	-	-	5,836,550
Clearing settlement funds	-	12,538,492	-	-	-	-	12,538,492
Bank balances	-	44,986,900	10,634,839	4,450,343	-	-	60,072,082
<b>Subtotal</b>	<b>28,260,742</b>	<b>67,072,576</b>	<b>33,156,693</b>	<b>70,388,715</b>	<b>57,534,568</b>	<b>10,540,789</b>	<b>266,954,083</b>
<b>Financial liabilities</b>							
Bonds payable	-	-	1,834,548	21,905,225	43,687,089	-	67,426,862
Due to banks and other financial institutions	-	-	3,054,311	-	-	-	3,054,311
Financing instrument payables	-	-	12,830,695	13,234,152	4,515,007	-	30,579,854
Accounts payable to brokerage clients	-	64,787,132	-	-	-	-	64,787,132
Other financial liabilities	338,745	2,715,502	14,802	230,529	2,934,463	-	6,234,041
Financial liabilities designated as at fair value through profit or loss	-	-	185,500	54,644	28,347	-	268,491
Derivative financial liabilities – net settlement	-	9,881	120,315	4,954	-	-	135,150
Financial assets sold under repurchase agreements	-	-	14,243,672	4,505,049	-	-	18,748,721
<b>Subtotal</b>	<b>338,745</b>	<b>67,512,515</b>	<b>32,283,843</b>	<b>39,934,553</b>	<b>51,164,906</b>	<b>-</b>	<b>191,234,562</b>
<b>Net position</b>	<b>27,921,997</b>	<b>(439,939)</b>	<b>872,850</b>	<b>30,454,162</b>	<b>6,369,662</b>	<b>10,540,789</b>	<b>75,719,521</b>

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 61. FINANCIAL RISK MANAGEMENT (continued)

#### 61.4 Capital management

The Group's objectives of capital management are:

- To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC and Hong Kong regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

1. Risk coverage ratio (net capital divided by the total risk capital reserves) shall be no less than 100% ("Ratio 1");
2. Capital leverage ratio (core net capital divided by total on-and-off-balance sheet assets) shall be no less than 8% ("Ratio 2");
3. Liquidity coverage ratio (high quality liquid assets divided by net cash outflow in 30 days) shall be no less than 100% ("Ratio 3");
4. Net stable funding ratio (the available amount of stable funding divided by the required amount of stable funding) shall be no less than 100% ("Ratio 4");
5. The ratio of net capital divided by net assets shall be no less than 20% ("Ratio 5");
6. The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 6");
7. The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 7");
8. The ratio of the value of proprietary equity securities and securities derivatives divided by net capital shall not exceed 100% ("Ratio 8"); and
9. The ratio of the value of proprietary non-equity securities and securities derivatives divided by net capital shall not exceed 500% ("Ratio 9").

Net capital refers to net assets minus risk adjustments on certain types of assets and liabilities, and add supplemental capital and other adjustments as defined in the Administrative Measures.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 61. FINANCIAL RISK MANAGEMENT (continued)

#### 61.4 Capital management (continued)

As at 31 December 2018 and 2017, the Company maintained the above ratios as follows:

	As at 31 December	
	2018	2017
Net capital	61,919,056	50,746,808
Ratio 1	320.39%	242.39%
Ratio 2	29.31%	29.38%
Ratio 3	312.02%	171.61%
Ratio 4	144.27%	124.93%
Ratio 5	96.10%	80.30%
Ratio 6	52.22%	43.74%
Ratio 7	54.34%	54.46%
Ratio 8	20.89%	32.94%
Ratio 9	110.94%	96.53%

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements under the PRC and Hong Kong regulatory requirements imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively. These subsidiaries comply with the capital requirements during the years ended 31 December 2018 and 2017.

### 62. FAIR VALUE OF FINANCIAL INSTRUMENTS

#### 62.1 Fair value of the Group's financial assets and financial liabilities that are not measured on a recurring basis

The carrying amounts of the Group's financial assets and liabilities not measured at fair value approximate their fair values as at 31 December 2018 and 31 December 2017 except for the following financial liabilities, for which their carrying amounts including interests payable with fair value are disclosed below:

Non-current	As at 31 December 2018	
	Carrying amounts	Fair value
Bonds payable	43,056,018	43,773,162
Financing instrument payables	3,243,512	3,316,836
Financial assets held under resale agreements	18,630,062	19,470,310
Debt instruments measured at amortized cost	4,435,395	4,475,946

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 62. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### 62.1 Fair value of the Group's financial assets and financial liabilities that are not measured on a recurring basis (continued)

Non-current	As at 31 December 2017	
	Carrying amounts	Fair value
Bonds payable	45,739,475	46,203,319
Financing instrument payables	4,180,190	4,315,742
Financial assets held under resale agreements	23,916,025	24,507,770
Held-to-maturity investments	1,419,541	1,357,219

Fair values of these financial instruments are categorized as Level 2 as explained below and determined by contractual cash flows discounted by observable yield curves.

#### 62.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting periods. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Level 1 to 3) based on the degree to which the inputs to the fair value measurements are observable and the significance.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

## 62. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

### 62.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	As at 31 December		Fair Value Hierarchy	Valuation technique(s) and key input(s)
	2018	2017		
<b>Available-for-sale financial asset</b>				
– Debt securities traded on stock exchanges	–	13,504,300	Level 1	• Quoted bid prices in an active market.
– Debt securities traded on interbank market	–	2,647,126	Level 2	• China Bond Valuation-future cash flows are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
– Equity securities and funds traded on stock exchanges	–	6,497,623	Level 1	• Quoted bid prices in an active market.
– Equity securities traded on National Equities Exchange and Quotations	–	57,848	Level 2	• Recent transaction prices.
– Equity securities traded on stock exchanges with lock-up periods (Note 1)	–	248,491	Level 3	• The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability. This discount is determined by option pricing model. The key input is historical volatility of the share prices of the securities.
– Other investments	–	9,387,476	Level 2	• Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
– Other investments (Note 1)	–	1,302,640	Level 3	• Calculated based on the fair value of the underlying investments which invest in listed shares with lock-up periods in which the fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability. This discount is determined by option pricing model. The key input is historical volatility of the share prices of the securities.
– Other investments (Note 2)	–	147,137	Level 3	• Discounted cash flow with future cash flows that are estimated based on contract terms, discounted at a rate that reflects the credit risk of underlying investments.
<b>Debt instruments measured at FVTOCI:</b>				
– Debt securities traded on stock exchanges	14,056,191	–	Level 1	• Quoted bid prices in an active market.
– Debt securities traded on interbank market	3,243,039	–	Level 2	• China Bond Valuation-future cash flows are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
<b>Equity instruments measured at FVTOCI:</b>				
– Perpetual bonds	1,723,334	–	Level 1	• Quoted bid prices in an active market.
– Perpetual bonds	435,343	–	Level 2	• China Bond Valuation-future cash flows are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
– Equity investments	7,618,758	–	Level 2	• Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
<b>Financial assets measured at FVTPL (required by IFRS 9):</b>				
– Debt securities traded on stock exchanges	13,277,086	–	Level 1	• Quoted bid prices in an active market.

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(Amounts in thousands of Renminbi, unless otherwise stated)

## 62. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

### 62.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	As at 31 December		Fair Value Hierarchy	Valuation technique(s) and key input(s)
	2018	2017		
- Debt securities traded on interbank market	23,243,641	-	Level 2	<ul style="list-style-type: none"> <li>China Bond Valuation-future cash flows are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.</li> </ul>
- Equity securities and funds traded on stock exchanges	6,078,602	-	Level 1	<ul style="list-style-type: none"> <li>Quoted bid prices in an active market.</li> </ul>
- Unlisted funds (open-ended mutual funds)	9,414,830	-	Level 2	<ul style="list-style-type: none"> <li>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.</li> </ul>
- Structured deposits and wealth management products	1,436,708	-	Level 2	<ul style="list-style-type: none"> <li>Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.</li> </ul>
- Equity securities traded on National Equities Exchange and Quotations	129,777	-	Level 2	<ul style="list-style-type: none"> <li>Recent transaction prices.</li> </ul>
- Equity securities traded on National Equities Exchange and Quotations	14,714	-	Level 2	<ul style="list-style-type: none"> <li>Based on the latest quoted bid prices and adjusted based on the index of National Equities Exchange and Quotations.</li> </ul>
- Equity securities traded on National Equities Exchange and Quotations (Note 2)	60,740	-	Level 3	<ul style="list-style-type: none"> <li>Discounted cash flow with future cash flows that are estimated based on contract terms, discounted at a rate that reflects the credit risk of underlying investments.</li> </ul>
- Equity securities traded on National Equities Exchange and Quotations (Note 3)	11,341	-	Level 3	<ul style="list-style-type: none"> <li>Multiples valuation, with an adjustment of discount for lack of marketability.</li> </ul>
- Equity securities traded on stock exchanges with lock-up periods (Note 1)	2,822,168	-	Level 3	<ul style="list-style-type: none"> <li>The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability. This discount is determined by option pricing model. The key input is historical volatility of the share prices of the securities.</li> </ul>
- Other investments	980,448	-	Level 2	<ul style="list-style-type: none"> <li>Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.</li> </ul>
- Other investments (Note 1)	136,486	-	Level 3	<ul style="list-style-type: none"> <li>Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.</li> </ul>
- Other investments (Note 2)	1,990,621	-	Level 3	<ul style="list-style-type: none"> <li>Discounted cash flow with future cash flows that are estimated based on contract terms, discounted at a rate that reflects the credit risk of underlying investments.</li> </ul>
- Other investments (Note 3)	741,119	-	Level 3	<ul style="list-style-type: none"> <li>Multiples valuation, with an adjustment of discount for lack of marketability.</li> </ul>
<b>Financial assets held-for-trading (required by IAS 39):</b>				
- Debt securities traded on stock exchanges	-	9,843,534	Level 1	<ul style="list-style-type: none"> <li>Quoted bid prices in an active market.</li> </ul>
- Debt securities traded on interbank market	-	5,929,917	Level 2	<ul style="list-style-type: none"> <li>China Bond Valuation-future cash flows are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.</li> </ul>
- Equity securities and funds traded on stock exchanges and	-	3,839,988	Level 1	<ul style="list-style-type: none"> <li>Quoted bid prices in an active market.</li> </ul>
- Unlisted funds (open-ended mutual funds)	-	3,636,265	Level 2	<ul style="list-style-type: none"> <li>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.</li> </ul>

# SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

## 62. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

### 62.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	As at 31 December		Fair Value Hierarchy	Valuation technique(s) and key input(s)
	2018	2017		
<b>Financial assets designated as at fair value through profit or loss (required by IAS 39):</b>				
- Debt securities traded on stock exchanges	-	273,604	Level 1	• Quoted bid prices in an active market.
- Equity securities and funds traded on stock exchanges	-	1,094,381	Level 1	• Quoted bid prices in an active market.
- Structured deposits and wealth management products	-	628,543	Level 2	• Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
- Equity securities traded on National Equities Exchange and Quotations	-	442,435	Level 2	• Recent transaction prices.
- Equity securities traded on stock exchanges (Note 1)	-	2,177,267	Level 3	• The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability. This discount is determined by option pricing model. The key input is historical volatility of the share prices of the securities.
- Other investments	-	342,708	Level 2	• Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
- Other investments (Note 2)	-	801,654	Level 3	• Discounted cash flow with future cash flows that are estimated based on contract terms, discounted at a rate that reflects the credit risk of underlying investments.
<b>Financial liabilities held-for-trading:</b>				
- Equity securities traded on stock exchanges	(13,312)	-	Level 1	• Fair value is determined with quoted bid prices in an active market.
<b>Financial liabilities designated as at fair value through profit or loss:</b>				
- Structured products embedded with equity swaps	(716,393)	(12,030)	Level 1	• Fair value is determined with quoted bid prices in an active market.
- Financial instruments payable linked to stock index	(728,993)	(256,461)	Level 2	• Based on the bid prices of stock index in an active market.
<b>Derivative financial instruments</b>				
- Equity return swaps-assets	1,521	7,645	Level 2	• Calculated based on the difference between the equity return of underlying equity securities according to quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparties.
- Equity return swaps-liabilities	-	(1,095)	Level 2	• Calculated based on the difference between the equity return of underlying equity securities according to quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparties.
- Exchange-traded options-assets	23,928	11,785	Level 1	• Quoted bid prices in an active market.
- Exchange-traded options-liabilities	(10,511)	(5,181)	Level 1	• Quoted bid prices in an active market.
- Over-the-counter options-assets (Note 1)	40,724	3,506	Level 3	• Calculated based on Black-Scholes option pricing model.
- Over-the-counter options-liabilities (Note 1)	(182,358)	(128,874)	Level 3	• Calculated based on Black-Scholes option pricing model.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 62. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### 62.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	As at 31 December		Fair Value Hierarchy	Valuation technique(s) and key input(s)
	2018	2017		
- Stock index futures-assets (Note 4)	178,172	30,024	Level 1	• Quoted bid prices in an active market.
- Stock index futures-liabilities (Note 4)	(6,073)	(23,512)	Level 1	• Quoted bid prices in an active market.
- Treasury bond futures-assets (Note 4)	6,833	3,171	Level 1	• Quoted bid prices in an active market.
- Treasury bond futures-liabilities (Note 4)	(60,299)	(4,378)	Level 1	• Quoted bid prices in an active market.
- Commodity futures-assets (Note 4)	22,785	114	Level 1	• Quoted bid prices in an active market.
- Commodity futures-liabilities (Note 4)	(23,263)	(2,027)	Level 1	• Quoted bid prices in an active market.
- Interest rate swaps-assets (Note 4)	79,625	1,025	Level 2	• Calculated based on the difference between the floating income based on Fixing Repo Rate and the fixed income agreed in the swap agreements between the Company and the counterparties.
- Interest rate swaps-liabilities (Note 4)	(91,421)	(844)	Level 2	• Calculated based on the difference between the floating income based on Fixing Repo Rate and the fixed income agreed in the swap agreements between the Company and the counterparties.
- Currency forward-liabilities	(20,205)	-	Level 2	• Calculated based on future cash flows that are estimated based on observable forward exchange rates and contracted exchange rates.
- Other forward contract-assets (Note 2)	10,118	-	Level 3	• 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.

Notes:

1. The significant unobservable input to fair value measurement is implied volatility of the underlying securities, which ranges from 7.54% to 64.60% (31 December 2017: 11.03% to 66.52%). The higher the implied volatility, the lower the fair value. A 10% increase/decrease in the implied volatility holding other variables constant will result in a decrease/increase in carrying amount by RMB12 million (31 December 2017: RMB15 million).
2. The unobservable input to fair value is the discount rate, determined by reference to the credit risk of underlying investments, ranging from 6.00% to 17.74% (31 December 2017: 8.24% to 13.16%). The higher the discount rate, the lower the fair value. In respect of these assets, holding other variables constant, when the discount rate increases or decreases by 10%, the fair value of Level 3 financial assets will decrease or increase by RMB19 million (31 December 2017: RMB8 million).
3. The unobservable input to fair value is the discount for lack of marketability, which ranges from 20.00% to 60.00%. The higher the discount for lack of marketability, the lower the fair value. In respect of these assets, holding other variables constant, when the discount for lack of marketability increases or decreases by 10%, the fair value of Level 3 financial assets will decrease or increase by RMB4 million.
4. As disclosed in Note 37, except for stock index futures not under the daily mark-to-market and settlement arrangement are presented gross at the end of reporting period, the other derivatives are under daily mark-to-market and settlement arrangements. Accordingly, the net position of the treasury bond futures, commodity futures and interest rate swaps contracts was nil at the end of each reporting period. The above analysis only presents the fair value of derivative financial instruments.

There were no transfers between Level 1 and 2 during the years ended 31 December 2018 and 2017.



## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 62. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### 62.3 Reconciliation of Level 3 fair value measurements

	Financial assets measured as fair value through profit or loss	Available-for-sale financial assets
As at 31 December 2017	2,978,921	1,698,268
Effect of adoption of IFRS 9	4,695,045	(1,698,268)
At 1 January 2018	7,673,966	–
Total losses		
– in profit or loss	(294,618)	–
Purchases	3,628,017	–
Transfers out (Note)	(5,244,890)	–
As at 31 December 2018	5,762,475	–
Total losses for assets held at 31 December 2018		
– unrealized losses recognized in profit or loss	(288,614)	–
	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets
At 1 January 2017	–	4,464,487
Total losses		
– in other comprehensive income	–	(155,793)
– in profit or loss	(42,573)	–
Purchases	3,021,494	334,137
Transfers out (Note)	–	(2,944,563)
As at 31 December 2017	2,978,921	1,698,268
Total losses for assets held at 31 December 2017		
– unrealized losses recognized in		
– other comprehensive income	–	(20,227)
– profit or loss	(42,573)	–

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 or Level 2 when the lock-up period lapsed and became unrestricted.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 63. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 26 February 2019, a resolution regarding the authorization of provision of bank loan guarantee by Galaxy International Holdings to CGS-CIMB was proposed and approved at the forty-eighth meeting (extraordinary) of the third session of the Board of the Company and the Company has agreed that Galaxy International Holdings will provide a loan guarantee of not more than RMB3,500 million to CGS-CIMB according to business development need in the next three years.

Subsequent to the end of reporting period, the Company obtained approval from the Shanghai Stock Exchange and has completed the non-publicly issuance of subordinated bonds of RMB4,000 million (Tranche 1), RMB3,400 million (Tranche 2) and RMB6,600 million (Tranche 3) in January 2019, February 2019 and March 2019, respectively. These bonds bear interest rates at 4.05%-4.25% 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.

Subsequent to the end of reporting period, a final dividend in respect of the year ended 31 December 2018 of RMB0.90 per 10 shares (inclusive of tax), in an aggregate amount of RMB912.35 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.

### 64. INVESTMENTS IN SUBSIDIARIES

#### 64.1 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	Equity interest and voting right held by the Group		Paid-up capital/ registered share capital (RMB unless otherwise stated)	Principal activities
		31/12/2018	31/12/2017		
Galaxy Capital Management Company Limited* (銀河創新資本管理有限公司)	Beijing, PRC	100.00%	100.00%	1,000,000,000	Assets management and project investment
Galaxy International Holdings	Hong Kong, PRC	100.00%	100.00%	HKD 3,261,208,250	Investment holding
Galaxy Futures Company Limited ("Galaxy Futures")* (銀河期貨有限公司)	Beijing, PRC	83.32%	83.32%	1,200,000,000	Commodity futures broking, financial futures broking, futures investment consultancy and asset management
Galaxy Jinhui Securities Asset Management Company Limited* (銀河金匯證券資產管理有限公司)	Shenzhen, PRC	100.00%	100.00%	1,000,000,000	Asset management
Galaxy Yuanhui Investment Company Limited* (銀河源匯投資有限公司)	Shanghai, PRC	100.00%	100.00%	1,500,000,000	Alternative investment
China Galaxy International Futures (Hong Kong) Company Limited	Hong Kong, PRC	100.00%	100.00%	HKD 72,000,000	Futures contracts dealing and broking
China Galaxy International Securities (Hong Kong) Company Limited	Hong Kong, PRC	100.00%	100.00%	HKD 900,000,000	Securities broking, advising on securities and corporate finance

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 64. INVESTMENTS IN SUBSIDIARIES (continued)

#### 64.1 General information of subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment	Equity interest and voting right held by the Group		Paid-up capital/ registered share capital (RMB unless otherwise stated)	Principal activities
		31/12/2018	31/12/2017		
China Galaxy International Finance (Hong Kong) Company Limited	Hong Kong, PRC	100.00%	100.00%	HKD 1,000,000	Money lending
China Galaxy International Assets Management (Hong Kong) Company Limited	Hong Kong, PRC	100.00%	100.00%	HKD 20,000,000	Asset management
China Galaxy International Wealth Management (Hong Kong) Company Limited	Hong Kong, PRC	100.00%	100.00%	HKD 500,000	Wealth management and insurance broking
Galaxy Yueke Fund Management Co., Ltd.* (銀河粵科基金管理有限公司)	Foshan, PRC	51.00%	51.00%	100,000,000	Investment fund management
Galaxy Yueke (Guangdong) Industry Investment Fund (Limited Partnership)** (銀河粵科(廣東)產業投資基金(有限合伙))	Foshan, PRC	40.00%	40.00%	500,000,000	Investing in securities
Galaxy Derivatives Capital Management Company Limited* ("Galaxy Derivatives") (銀河德睿資本管理有限公司)	Shanghai, PRC	100.00%	88.00%	500,000,000	Assets and investment management

\* These subsidiaries do not have official English names.

# Galaxy Capital Management Company Limited is the general partner of this limited partnership and the Group holds 40.00% equity interests. Therefore, this limited partnership is an indirectly held subsidiary.

In the opinion of the directors, there is no subsidiary with material non-controlling interests within the Group. Accordingly, no further information on non-wholly-owned subsidiary has been presented.

#### 64.2 Change in ownership interest in a subsidiary

During the year, the Group acquired 12% equity interest in Galaxy Derivatives at a total consideration of RMB66.73 million through the public listing-for-sale process organized by the Beijing Financial Assets Exchange. Upon completion of the transaction, Galaxy Derivatives became a wholly-owned subsidiary of Galaxy Futures, a non-wholly owned subsidiary of the Company. The difference between the decrease in the non-controlling interests and the consideration paid of RMB4.49 million has been adjusted to capital reserve.

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 65. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

#### (a) The Company's statement of financial position

AS AT 31 DECEMBER 2018

	Notes	As at 31 December	
		2018	2017
<b>ASSETS</b>			
Non-current assets			
Property and equipment		316,660	339,311
Goodwill		223,278	223,278
Other intangible assets		385,191	376,017
Investments in subsidiaries		7,095,827	7,095,827
Financial assets measured at fair value through profit or loss		3,414,058	–
Financial assets held under resale agreements		18,630,062	23,916,025
Available-for-sale financial assets		–	21,188,144
Debt instruments measured at fair value through other comprehensive income		101,603	–
Equity instruments measured at fair value through other comprehensive income		9,777,435	–
Deposits with exchanges and a non-bank financial institution		171,886	197,765
Deferred tax assets		377,409	72,653
<b>Total non-current assets</b>		<b>40,493,409</b>	53,409,020
Current assets			
Advances to customers		41,363,498	56,920,037
Accounts receivable		152,372	284,737
Tax recoverable		151,757	565,577
Other receivables and prepayments		1,274,259	3,587,802
Amounts due from subsidiaries		1,634,798	943,847
Financial assets measured at fair value through profit or loss		56,374,976	25,325,713
Financial assets held under resale agreements		19,543,388	13,870,760
Available-for-sale financial assets		–	17,930,254
Debt instruments measured at fair value through other comprehensive income		17,197,627	–
Debt instruments measured at amortized cost		83,382	–
Investments classified as loan and receivables		–	1,250,247
Derivative financial assets		15,963	7,645
Deposits with exchanges and a non-bank financial institution		62,468	74,326
Clearing settlement funds		11,674,728	11,885,104
Bank balances		35,972,214	42,773,349
<b>Total current assets</b>		<b>185,501,430</b>	175,419,398
<b>Total assets</b>		<b>225,994,839</b>	228,828,418
<b>EQUITY AND LIABILITIES</b>			
Equity			
Share capital	65(b)	10,137,259	10,137,259
Reserves	65(b)	39,406,648	38,433,148
Retained profits	65(b)	14,891,176	14,624,847
<b>Total equity</b>		<b>64,435,083</b>	63,195,254

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 65. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

#### (a) The Company's statement of financial position (continued)

AS AT 31 DECEMBER 2018

	As at 31 December	
	2018	2017
Liabilities		
Non-current liabilities		
Bonds payable	43,056,018	45,440,175
Financing instrument payables	3,243,512	4,180,190
Financial liabilities measured at fair value through profit or loss	835,430	25,370
Total non-current liabilities	47,134,960	49,645,735
Current liabilities		
Bonds payable	26,362,875	16,014,798
Due to banks and other financial institutions	2,001,886	500,000
Financing instrument payables	13,289,357	25,274,330
Accounts payable to brokerage clients	42,992,260	49,602,736
Accrued staff costs	2,128,017	2,953,880
Other payables and accruals	744,821	3,520,819
Financial liabilities measured at fair value through profit or loss	622,327	238,407
Derivative financial liabilities	128,161	125,268
Financial assets sold under repurchase agreements	26,155,092	17,757,191
Total current liabilities	114,424,796	115,987,429
Total liabilities	161,559,756	165,633,164
Total equity and liabilities	225,994,839	228,828,418
Net current assets	71,076,634	59,431,969
Total assets less current liabilities	111,570,043	112,840,989

## SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

### 65. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

#### (b) Movement in the Company's reserves

The movements in share capital, reserves and retained profits of the Company are set out below:

	Reserves							Retained profits	Total equity
	Share capital	Capital reserve	Investment revaluation reserve	General reserves	Other reserves	Subtotal			
At 1 January 2017	9,537,259	21,611,176	(380,504)	12,444,084	(26,638)	33,648,118	13,717,444	56,902,821	
Profit for the year	-	-	-	-	-	-	3,540,970	3,540,970	
Other comprehensive income/(expense) for the year	-	-	375,172	-	(6,648)	368,524	-	368,524	
Total comprehensive income/(expense) for the year	-	-	375,172	-	(6,648)	368,524	3,540,970	3,909,494	
Issuance of new shares	600,000	3,486,000	-	-	-	3,486,000	-	4,086,000	
Transaction costs attributable to issue of new shares	-	(131,786)	-	-	-	(131,786)	-	(131,786)	
Appropriation to general reserves	-	-	-	1,062,292	-	1,062,292	(1,062,292)	-	
Dividend recognized as distribution	-	-	-	-	-	-	(1,571,275)	(1,571,275)	
At 31 December 2017	10,137,259	24,965,390	(5,332)	13,506,376	(33,286)	38,433,148	14,624,847	63,195,254	
Effect of adoption of IFRS 9	-	-	471,527	-	-	471,527	(487,015)	(15,488)	
At 1 January 2018 (Restated)	10,137,259	24,965,390	466,195	13,506,376	(33,286)	38,904,675	14,137,832	63,179,766	
Profit for the year	-	-	-	-	-	-	2,814,076	2,814,076	
Other comprehensive expense for the year	-	-	(310,633)	-	(31,655)	(342,288)	-	(342,288)	
Total comprehensive income/(expense) for the year	-	-	(310,633)	-	(31,655)	(342,288)	2,814,076	2,471,788	
Appropriation to general reserves	-	-	-	844,223	-	844,223	(844,223)	-	
Dividend recognized as distribution	-	-	-	-	-	-	(1,216,471)	(1,216,471)	
Transfer within equity	-	-	38	-	-	38	(38)	-	
At 31 December 2018	10,137,259	24,965,390	155,600	14,350,599	(64,941)	39,406,648	14,891,176	64,435,083	



## APPENDIX I. INFORMATION ON SECURITIES BRANCHES

No.	Name	Securities Branches Address	Person In Charge	Note
1	Beijing Financial Street Securities Branch	Floor 3-4, No. 111 Taiping Bridge Avenue, Xicheng District, Beijing	Zhao Hongliang	
2	Beijing Wangjing Securities Branch	Floor 2, 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	Ding Zefu	
4	Beijing South Xueyuan Road Securities Branch	Floor 1-3, Building 2, 34 South Xueyuan Road, Haidian District, Beijing	Zhao Xinhua	
5	Beijing 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	Dong Yingzhen	
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.9, Floor 2, 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	Floor 6, Tower B, 5th Square, No.5, Changyangmen North Avenue, Dongcheng District, Beijing	Wang Xiaojing	
11	Beijing Jianguo Road Securities Branch	North, Hall of Floor 1, Building 1, 126 Jianguo Road, Chaoyang District, Beijing	Li Weimin	
12	Beijing Xueqing Road Securities Branch	Room 701-702, 712-718, Floor 7, Jinma Hotel, No.38(A) Xueqing Road, Haidian District, Beijing	Yan Xiaolong	
13	Beijing Fangzhuang South Avenue Securities Branch	Room 103, 2 Fangzhuang South Avenue, Fengtai District, Beijing	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	



No.	Name	Securities Branches Address	Person In Charge	Note
15	Beijing Hujialou Securities Branch	2/F, Building 6, North Xiangjun Lane A, Hujialou, Chaoyang District, Beijing	Ma Ming	
16	Beijing Tongzhou Jiukeshu Securities Branch	1/F and 2/F, No.100 Jiukeshu Street, Tongzhou District, Beijing	Xu Qiang	
17	Beijing Dawang Road Securities Branch	2303, 1/F and 2/F, Blocks 7-10, 88 Jianguo Road, Chaoyang District, Beijing, China	Liu Yang	
18	Beijing Laiguangying Securities Branch	Unit 201, 2/F, Block 2, Chengying Center, Yard No. 5, Laiguangying West Road, Chaoyang District, Beijing	Tian Zhilu	
19	Beijing Chaoyang Road Securities Branch	Room 305, 3/F, No. 100 Balizhuang Xili, Chaoyang District, Beijing	Liu Yafei	
20	Beijing West Third Ring South Road Securities Branch	Room 201-1, Block 1, Yard No. 14, West Third Ring South Road, Fengtai District, Beijing	Hou Zhishan	
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	Room A203, 2/F, Block 16, Yard No. 8, Beichen East Road, Chaoyang 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	





No.	Name	Securities Branches Address	Person In Charge	Note
29	Beijing Liangmaqiao Road Securities Branch	Room 1113, 11/F, in 101, 2-16/F, Block 124, Yard No. 42, Liangmaqiao Road, Chaoyang District, Beijing	Li Huiwen	
30	Beijing Shangdi Securities Branch	Room 04B-C, Block D, 4/F, No. A28 Xinsi Road, Haidian District, Beijing	Liu Yifei	
31	Beijing Zhichun Road Securities Branch	Room 102-2, 1/F, Block 1, No. 68 Zhichun Road, Haidian District, Beijing	Jiang Jingtao	
32	Beijing Xinghua Street Securities Branch	101, 1st Floor, Building 17, No. 19, Xinghua Street (2nd Section), Daxing District, Beijing	Li Yu	Newly opened in 2018
33	Beijing East Four-ring South Road Securities Branch	11-12, the bottom floor of No. 16 Building, No.7, Zhouzhuang Jiayuan, Shibalidian Township, Chaoyang District, Beijing	Song Bowen	Newly opened in 2018
34	Beijing Yiheyuan Road Securities Branch	1516/13, 1515, 13th Floor, No. 65 North Fourth Ring Road, Haidian District, Beijing	Jiao Yuku	Newly opened in 2018
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	Newly opened in 2018
36	Beijing Guanganmen Securities Branch	405, 4th Floor, Building 7, No. 27, Nanbinhe Road, Xicheng District, Beijing	Zhang Yang	Newly opened in 2018
37	Beijing Yonghegong Securities Branch	B1-A1, Building A, Innovation Building, No. 11 Hepingli East Street, Dongcheng District, Beijing	Yang Donglin	Newly opened in 2018
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	Floor 1, Huake Entrepreneurship Center, 3 Kaihua Road, Huayuan Industrial Park, Binhai High-Tech Industry Development Zone	Zhong Jihong	
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 Sheng'an Avenue Securities Branch	No. 84, Chengdu Avenue, Five Great Avenues, Heping District, Tianjin	Chen Liansheng	
42	Shijiazhuang Hongqi Street Securities Branch	No.98, Hongqi Street, Shijiazhuang City, Hebei Province	Jiao Wenli	



No.	Name	Securities Branches Address	Person In Charge	Note
43	Langfang Yinhe North Street Securities Branch	No.106, Yinhe North Street, Langfang City, Hebei Province	Li Fanghui	
44	Shijiazhuang Shengli North Street Securities Branch	Floor 1 & 2, Futian Building, No.156 Shengli North Street, Shijiazhuang City, Hebei Province	Luo Feng	
45	Xingtai Qinghe Securities Branch	No. 17, Changjiang East Street, Qinghe County, Xingtai City, Hebei Province	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, Hebei Province	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	Taiyuan Yingze West Avenue Securities Branch	No.53, Yingze West Avenue, Taiyuan City, Shanxi Province	Chen Honghua	
52	Taiyuan Bingzhou South Avenue Securities Branch	No.1-2, 94 Qinxian North Avenue, Xiaodian District, Taiyuan City, Shanxi Province	Zhang Jianzhong	
53	Taiyuan Taoyuan Securities Branch	No.16, Taoyuan North Avenue, Taiyuan City, Shanxi Province	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, Shanxi Province (former Zhong Hang Building)	Wang Quanrui	
56	Huozhou Kaiyuan Street Securities Branch	No.A3-6, Kaiyuanshengdian, Kaiyuan Street, Huozhou City, Shanxi Province	Guo Ming	



No.	Name	Securities Branches Address	Person In Charge	Note
57	Yicheng Jiefang Street Securities Branch	1-2/F, Block 6, Zone C2 (Yiheyuan 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)	Xue Hongbin	
62	Taigu Kangyuan Road Securities Branch	No.15, Building 20, Huaxing community, Kangyuan Road, Taigu County, Jinzhong City, Shanxi Province	Song Wei	
63	Jiexiu Zhenxing Street Securities Branch	The Adjacency of Yipinhuangniu, Zhenxing Street, Jiexiu City, Jinzhong City	Shi Jianhua	
64	Jingcheng 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	Wang Tao	
66	Xiaoyi Fuqian Street Securities Branch	Fuqian Street, Luliang Xiaoyi City, Shanxi Province (Shop 16, Xiang He Xin Yuan)	Fu Weihao	
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	Pei Bin	
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	Changzhi Taixing East Street Securities Branch	G/F, No. 2, Yongsheng Court, Taixing East Street; 1-2/F, No. 5 Taixing East Street, Changzhi City	Cao Weili	



No.	Name	Securities Branches Address	Person In Charge	Note
71	Zuoquan Jiangjun Road Securities Branch	Shop 2#-28, Xincheng International, Jiangjun Road, Zuoquan County, Jinzhong City, Shanxi Province	Zhou Yiqu	
72	Hohhot Xinhua East Street Securities Branch	No.78, Xinhua East Street, Saihan District, Hohhot City, Inner Mongolia Autonomous Region	He Jing	
73	Hohhot Daxue West Street Securities Branch	No.110, Daxue West Street, Hohhot City, Inner Mongolia Autonomous Region	Hou Jie	
74	Baotou Wulan Road Securities Branch	No.6, 19 (A) Wulan Road, Kundulun District, Baotou City, Inner Mongolia Autonomous Region	Ren Wei	
75	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	
76	Hulunbuir Qiaotou Street Securities Branch	3/F, Hulun Holiday Hotel, No.6- 8 Qiaotou Street, Hailar District, Hulunbuir City	Wang Jian	
77	Shenyang Beizhan Road Securities Branch	59 Beizhan Road, Shenhe District, Shenyang City, Liaoning Province	Hu Yingxin	
78	Shenyang Dabeiguan Street Securities Branch	Floor 1-2, Unit 2, 40 Dabeiguan Street, Dadong District, Shenyang City, Liaoning Province	Luo Xiaodong	
79	Shenyang Sanhao Street Securities Branch	No. 6, 7, 4A, Wenti Road, Heping District, Shenyang City	Liu Dayong	
80	Shenyang Sanjing Street Securities Branch	1-3/F, No. 95, Sanjing Street, South of Shenhe District, Shenyang City	Wen Jiuyu	
81	Shenyang Jianshe East Road Securities Branch	Door 3, No. 76, Jianshe East Road, Tiexi District, Shenyang City	Xu Shan	
82	Shenyang Nan Shun Cheng Road Securities Branch	No. 56, Shuncheng Road, South of Shenhe District, Shenyang City	Chen Jinyan	
83	Shenyang Changbai West Road Securities Branch	No. 36, Changbai West Road, Heping District, Shenyang City (36A, Changbai West Road)	Li Bin	
84	Yingkou Shifu Road Securities Branch	No. 2, Floor 1, Block A, Wealth Center Office, Block C, Wealth Plaza, 3 Shifu Road North, Zhanqian District, Yingkou City	Sun Ning	
85	Fuxin Xinhua Road Securities Branch	Door 74-15, Xinhua Road, Haizhou District, Fuxin City	Liang Xiaogang	



No.	Name	Securities Branches Address	Person In Charge	Note
86	Liaoyang Laodong Street Securities Branch	No. 58, Laodong Street sub-district, Baita District, Liaoyang City, Liaoning Province	Tong Shengyong	
87	Panjin Shifu Street Securities Branch	2#, Kaisa Center, No. 1 Shifu Street, Xinglongtai District, Panjin City, Liaoning Province	Li Jingping	
88	Dandong Caishenmiao Street Securities Branch	No. 41-1-11 Caishenmiao Street, Yuanbao District, Dandong City, Liaoning Province	Ding Qiang	
89	Dalian Huanghe Road Securities Branch	Room B, C, D, Floor 5 of the Elevator, 620 Huanghe Road, Shahekou District, Dalian City	Guo Qing	
90	Dalian Yide Street Securities Branch	Room 01, 08 & 07, 5/F, No. 20 Yide Street, Zhongshan District, Dalian City, Liaoning Province	Wang Yansong	
91	Dalian Renmin Road Securities Branch	Floor 3, Chengda Building, 71 Renmin Road, Zhongshan District, Dalian City	Zheng Yue	
92	Dalian Xinkai Road Securities Branch	Floor 3, 99 Xinkai Road, Xigang District, Dalian City, Liaoning Province	Wang Huibin	
93	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	
94	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	
95	Changchun West Minzhu Street Securities Branch	No.1161, Chaoyang West Minzhu Street, Changchun City, Jilin Province	Yan Xiaomin	
96	Changchun Renmin Street Securities Branch	No. 8688, Renmin Street, Nangan District, Changchun, Jilin Province	Li Yantao	
97	Jilin Chongqing Street Securities Branch	Outlet No. 033, Jilin Wealth Plaza, No. 1367 Chongqing Road, Changyi District, Jilin City	Wang Huanyu	
98	Harbin West Tenth Street Securities Branch	No.19, West Tenth Street, Daoli District, Harbin City	Liu Peijian	
99	Harbin Zhongshan Road Securities Branch	1/F & 3/F, No. 252, Zhongshan Road, Nangang District, Harbin City	Li Naichen	
100	Daqing Jingsan Street Securities Branch	No. 5, Jingsan Street, Saertu District, Daqing City, Heilongjiang Province	Li Jingzhong	



No.	Name	Securities Branches Address	Person In Charge	Note
101	Jiamusi Xilin Road Securities Branch	No. 1178, Xilin Road, Jiaoqu, Jiamusi City	Shi Xiaodan	
102	Qiqihar Longhua Road Securities Branch	1-2/F, No. 25-1, Block 8, North Heping Yard, Tiefeng District, Qiqihar City, Heilongjiang Province	Liu Fang	
103	Jixi Hongqi Road Securities Branch	4/F, No. 19 Hongqi Road, Xiangyang Office, Jiguan District, Jixi City, Heilongjiang Province	Wang Fang	
104	Mudanjiang Dongyitiao Road Securities Branch	No. 77 Dongyitiao Road, Dong'an District, Mudanjiang City, Heilongjiang Province	Chen Long	
105	Harbin Jingjiang West Road Securities Branch	No. 2, Building 1, Building 2, 2372 Jingjiang West Road, Daoli District, Harbin	Zhang Bin	Newly opened in 2018
106	Shanghai Changning District Zhenning Road Securities Branch	Room 202, 2/F, No. 525 Zhenning Road, Changning District, Shanghai	Li Gequan	
107	Shanghai Pudong New District Yuanshen Road Securities Branch	15/F, No. 92 Yuanshen Road, China (Shanghai) Pilot Free Trade Zone	Hua Yafeng	
108	Shanghai Shijie Road Securities Branch	No. 95-lin 1, World Road, Yangpu District, Shanghai	Liu Dong	
109	Shanghai Anye Road Securities Branch	124 Anye Road, Shanghai	Tao Fei	
110	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	Huang Gang	
111	Shanghai Yangpu Jingyu East Road Securities Branch	Room 101, Room 201, No. 265 Jingyu East Road, Yangpu District, Shanghai	Wang Yisheng	
112	Shanghai Hongjing Road Securities Branch	Room 202, 185 Hongjing Road, Shanghai	Dai Linlong	
113	Shanghai Yichuan Road Securities Branch	Floor 1, 2, 833 Yichuan Road, Shanghai	Huang Xuqing	
114	Shanghai Shangnan Road Securities Branch	No. 1316, Shangnan Road, Pudong New District, Shanghai	Zhuang Yiye	
115	Shanghai Gongkang Road Securities Branch	No. 328, Gongkang Road, Baoshan District, Shanghai	Jiao HongYan	
116	Shanghai East Baoxing Road Securities Branch	Floor 12, 118 East Baoxing Road, Hongkou District, Shanghai	Xie Liangfeng	



No.	Name	Securities Branches Address	Person In Charge	Note
117	Shanghai Wulian Road Securities Branch	No. 11, Wulian Road, Pudong New District, Shanghai	Zhang Xuehong	
118	Shanghai Xinchang Road Securities Branch	Floor 2, 6, North, No.518, Xinchang Road, Huangpu Town, Shanghai	Gu Kangkang	
119	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	
120	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	
121	Shanghai Linyi Road Securities Branch	Room 2004-2010, Room 2016-2025, 2nd Floor, Building 1, No. 188, Linyi Road, Hongkou District, Shanghai	Wu Jie	
122	Shanghai Hengfeng Road Securities Branch	Room 201-1, Floor 2, 218 Hengfeng Road, Shanghai	Yu Lili	
123	Shanghai East Daming Road Bund Securities Branch	Room A, Floor 2, 912 East Daming Road, Hongkou District, Shanghai	Chen Jianguang	
124	Shanghai Xinyu Road Securities Branch	No. 205, Xinyu Road, Jiading District, Shanghai	Pan Yuhua	
125	Shanghai Huangpu District Madang Road Securities Branch	Room C104, Room A2205, Fuxing Plaza, No. 388 Madang Road, Huangpu District, Shanghai	Yang Xiaoyan	
126	Shanghai Pudong South Road Securities Branch	Floor 1 & 15, World Square, 855 Pudong South Road, Shanghai	Chen Aiping	
127	Shanghai Zhongshan North Road Securities Branch	Room 401-406, 408-412, 2917 Zhongshan North Road, Putuo District, Shanghai	Li Junyan	
128	Shanghai Caobao Road Securities Branch	Floor 9, No. 3459, Caobao Road, Minhang District, Shanghai	Li Xinliang	
129	Shanghai Putuo District Changde Road Securities Branch	Unit 102, 1/F, 1339 Changde Road, Putuo District Shanghai	Yuan Jiapeng	
130	Shanghai Qingpu District Mingzhu Road Securities Branch	Room 106, No. 838 Mingzhu Road, Qingpu District, Shanghai	Zhang Huanlai	
131	Shanghai Minhang District Chenxing Road Securities Branch	Room 218, 2/F, Block 1, No. 2388 Chenxing Road, Minhang District, Shanghai	Jin Qibao	



No.	Name	Securities Branches Address	Person In Charge	Note
132	Shanghai Baoshan District Luxiang Road Securities Branch	Room 101, 1/F, No. 2 Alley 111, Luxiang Road, Baoshan District, Shanghai	Zhu Yuewei	
133	Shanghai Putuo District Zhongjiang Road Securities Branch	1/F, No. 20 Alley 118, Zhongjiang Road, Putuo District, Shanghai	Shen Yu	
134	Shanghai Pudong New District Jingao Road Securities Branch	Room 108, No. 945, Jingao Road, Pudong New District, Shanghai	Huang Lei	
135	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	
136	Shanghai Yangpu District Songhu Road Securities Branch	Room 201, No. 433, Songhu Road, Yangpu District, Shanghai City	Li Yajun	
137	Shanghai Sibao Road Securities Branch	Floor 1-2, No. 50, Sibao Road, Sijing Town, Songjiang District, Shanghai City	Xu Yongwei	
138	Shanghai Jingang Road Securities Branch	Room 1110-1111, 11/F, No. 299, Jingang Road, China (Shanghai) Pilot Free Trade Zone	Zheng Chifei	
139	Shanghai Songjiang District Rongle East Road Securities Branch	1-2/F, No. 1919 Rongle East Road, Songjiang District, Shanghai	Chen Wu	
140	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	
141	Shanghai Xiangchuan Road Securities Branch	1-2/F, No. 398 Xiangchuan Road, Pudong New Area, Shanghai	Xu Bengu	
142	Shanghai Qingpu District Xinfuzhong Road Securities Branch	Room 101, No. 1786_1784, Xinfuzhong Road, Huaxin Town, Qingpu District, Shanghai	Li Jiasen	
143	Shanghai Gaoke East Road Securities Branch	No. 112, Building No. 8, Block 1, Alley 777, Gaoke East Road, Pudong New Area, Shanghai	Lu Bei	
144	Shanghai Songjiang District Xinnan Road Securities Branch	Zone B, 1/F, No. 1015 Xinnan Road, Xinqiao Town, Songjiang District, Shanghai	Liu Yi	
145	Tunxi North Road Securities Branch, Xuhui District, Shanghai	Room 604, Building C, No. 595, Tunxi North Road, Xuhui District, Shanghai	Wang Yingling	Newly opened in 2018





No.	Name	Securities Branches Address	Person In Charge	Note
146	Huancheng South Road Securities Branch of, Fengxian District, Shanghai, Shanghai	No. 1140-1142, Huancheng South Road, Fengxian District, Shanghai	Zhou Qun	Newly opened in 2018
147	Nanjing Hongwu Road Securities Branch	Room 203-207, Fuxin International Building, No. 359 Hongwu Road, Qinhuai District, Nanjing City, Jiangsu Province	Zhang Jun	
148	Nanjing Shanghai Road Securities Branch	No.145, Shanghai Road, Gulou District, Nanjing City, Jiangsu Province	Cao Anming	
149	Nanjing Longpan Middle Road Securities Branch	Floor 2, Jincheng Technology Building, 216 Longpan Middle Road, Baixia District, Nanjing City, Jiangsu Province	Hu Kaitao	
150	Nanjing Jiangdong Middle Road Securities Branch	Room 201, No. 213, Jiangdong Middle Road, Jianye District, Nanjing City	Zhuang Haijun	
151	Nanjing Nanrui Road Securities Branch	Building 19, Wuyueyiyuan, 79 Nanrui Road, Gulou District, Nanjing City, Jiangsu Province	Ju Min	
152	Yangzhou Wenchang Middle Road Securities Branch	No. 561, Wenchang Middle Road, Yangzhou City, Jiangsu Province	Ji Chunlei	
153	Suzhou Sanxiang Road Securities Branch	No. 718, Sanxiang Road, Suzhou City, Jiangsu Province	Qian Chun	
154	Zhenjiang Zhengdong Road Securities Branch	4th Floor, Building 4, 39 Zhengdong Road, Zhenjiang City	Zhong Sheng	
155	Nanjing Jiangning Zhushan Road Securities Branch	No. 136, Zhushan Road, Jiangning District, Nanjing City	Yang Weixue	
156	Nanjing Huashen Avenue Securities Branch	No. 11-14, Huashen Avenue, Yuhuatai District, Nanjing City	Li Qingfeng	
157	Nantong Gongnong Road Securities Branch	Room 101 and 201, Jintang Building, No. 198 Gongnong Road, Nantong City, Chongchuan District, Jiangsu Province	Wang Wei	
158	Changshu Zhujiang East Road Securities Branch	No. 93 Zhujiang East Road, Changshu City	Wang Fuxing	
159	Yancheng Yingbin South Road Securities Branch	Room 102, Block 7, Northern District, Qianjiang Fangzhou Community, No. 126 Yingbin South Road, Yancheng City	Wang Zhijian	
160	Wuxi Liangxi Road Securities Branch	Zone A, 1/F, 708 Liangxi Road, Wuxi	Liu Zhongxi	



No.	Name	Securities Branches Address	Person In Charge	Note
161	Jiangyin Hongqiao North Road Securities Branch	Floor 1 of No.185 and Floor 2 of No. 181-185, Hongqiao North Road, Jiangyin City	Chen Zheng	
162	Lianyungang Tongguan South Road Securities Branch	109, Jianyuanguanzhu Building, No. 102, Tongguan South Road, Haizhou District, Lianyungang City	Luo Fei	
163	Rugao Jiankang Road Securities Branch	Business Room, No. 4, Block 809, Jiankang East Village, Rucheng Town	Zhang Yuanchao	
164	Zhangjiagang Shazhou West Road Securities Branch	No. 108, Middle Floor, 101#, No. 115, Shazhou West Road, Yangshe Town, Zhangjiagang City	Zhu Kechun	
165	Changzhou North Street Securities Branch	No. 8-1, Yulong Garden, Zhonglou District, Changzhou City	Zhang Yu	
166	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	
167	Yixing Guibin South Road Securities Branch	1-2/F, No. 78 Guibin South Road, Xinjie Sub-district, Yixing City	Ji Xiaolong	
168	Jiangyin Zhouzhuang Century South Avenue Securities Branch	No. 102 Century South Avenue, Zhouzhuang Town, Jiangyin City	Xie Lingling	
169	Taizhou Youth South Road Securities Branch	Room 103 & 104, No. 300 Youth South Road, Hailing District, Taizhou City	Xing Jun	
170	Kunshan Xiaolin Road Securities Branch	No. 195-1 Chengbei Xiaolin Road, Yushan Town, Kunshan City, Jiangsu Province	Peng Xiaowu	
171	Baoying Baitian Road Securities Branch	No. 100 Commercial Street, Baitian Road, Hongsheng New Town, Baoying County	Wang Wenxiang	
172	Guanyun Renmin Middle Road Securities Branch	Room 102 & 202, Block 7, Jinling Imperial Garden, Renmin Middle Road, Yishan Town, Guanyun County, Lianyungang City	Zhou Xujie	
173	Suzhou Yueliangwan Road Securities Branch	Room 101-03, Zhongxin Building, No. 15 Yueliangwan Road, Suzhou Industrial Park	Luo Tianyi	
174	Taicang Shanghai East Road Securities Branch	Room 106 & 107, Block 3, No. 168 Shanghai East Road, Loudong Subdistrict, Taicang City	Gao Yang	



No.	Name	Securities Branches Address	Person In Charge	Note
175	Nanjing Chuangzhi Road Securities Branch	Room 101, No. 2 Chuangzhi Road, Jianye District, Nanjing City	Dai Rongming	
176	Nanjing Pubin Road Securities Branch	Room 101, Block 5, CASTD Innovation Plaza, No. 150 Pubin Road, Jiangbei New Area, Nanjing City	Shi Lei	
177	Nanjing Shuanglong Avenue Securities Branch	Room 102, No. 1306, Shuanglong Avenue, Jiangning District, Nanjing, Jiangsu, China	Xu Xiaosan	Newly opened in 2018
178	Xuzhou Huaihai East Road Securities Branch	Facade 104-3, No. 104 Huaihai East Road, Yunlong District, Xuzhou City, Jiangsu Province	Qin Song	Newly opened in 2018
179	Hangzhou Stadium Road Securities Branch	38-1 Qingchun Road, Hangzhou City	Shen Qun	
180	Hangzhou Stadium Road Securities Branch	Floor 1, 3, 4, 102 Stadium Road, Hangzhou City	Chen Chuang	
181	Hangzhou Shaoxing Road Securities Branch	Room 216-217, 303 Shaoxing Road, Hangzhou City	Zhu Guowei	
182	Hangzhou Gudun Road Securities Branch	Room 401, Unit 3, Building 1, Yuyingfang, Qinqinjiayuan, Sandun county, Hangzhou City, Zhejiang Province	Sun Zhuo	
183	Hangzhou Xintang Road Securities Branch	No. 13, Xintang Road, Hangzhou City, Zhejiang Province	Hu Jun	
184	Jiande Xin'an Road Securities Branch	No.193, Xin'an Road, Xin'anjiang Street, Jiande City, Zhejiang Province	Wu Hao	
185	Hangzhou Genshan West Road Securities Branch	Floor 1, 7-8, 220 Genshan West Road, Hangzhou City, Zhejiang Province	Wang Yueqian	
186	Hangzhou Yuhang Qiushan Street Securities Branch	No.611-202, Qiushan Street, Donghu Street, Yuhang District, Hangzhou, Zhejiang, China	Gong Xiaojun	
187	Tonglu Yingchun South Road Securities Branch	80, 82, Yingchun South Road, Tonglu County, Zhejiang Province	Tong Xialian	
188	Shaoxing Securities Branch	No.146, Luxun Middle Road, Shaoxing City, Zhejiang Province	Xi Meijiao	
189	Deqing Securities Branch	No. 251, Zhongxing South Road, Wukang County, Deqing Town, Zhejiang Province	Wu Tao	
190	Huzhou Shiyuan Road Securities Branch	No. 883-885, Shiyuan Road, Nanxun County, Huzhou City, Zhejiang Province	Jin Huan	



No.	Name	Securities Branches Address	Person In Charge	Note
191	Shaoxing Shangyu Citizen Avenue Securities	Business Department No. 583-589, Citizen Avenue, Baiguan Street, Shangyu District, Shaoxing City, Zhejiang Province	Wang Xiaofeng	
192	Yiwu Chouzhou North Street Securities Branch	Floor 1-2, No. 661 and No. 663, Chouzhou, North Road, Yiwu City, Zhejiang Province	Xu Shuming	
193	Lanxi Sanjiang Street Securities Branch	No. 73, Sanjiang Road, Lanxi city, Zhejiang Province	Ni Zhifang	
194	Lishui Securities Branch No.	375, Dayang Road, Lishui city, Zhejiang Province	Xie Jianhong	
195	Qingtian Longjin Road Securities Branch	Floor 2, No. 16, No. 18, No. 24, No. 18, Longjin Road, Hecheng Street, Qingtian County, Lishui City, Zhejiang Province	Yu Haigen	
196	Longquan Hualou Street Securities Branch	No. 268, Hualou Street, Longquan city, Zhejiang Province	Yang Ye	
197	Zhuchang Kaien Road Securities Branch	No. 106-113 B, Kaien Road, Miaogao Sub-district, Zhuchang County, Lishui City, Zhejiang Province	Yan Bin	
198	Qingyuan Mengzhou Street Securities Branch	Shop 6, Block 7, Mengzhou Huayuan, 209 Mengzhou Street, Qingyuan County, Zhejiang Province	Zhang Yong	
199	Wenzhou Danan Street Securities Branch	No. 201, 2nd Floor, Huadu Building, Danan Road, Lucheng District, Wenzhou city, Zhejiang Province	Peng Jie	
200	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	
201	Cangnan Station Avenue Securities Branch	Rom 201, Block 6, Shidai Dushi Plaza, Lingxi Town Station Avenue, Cangnan County, Wenzhou City	Lin Guanshu	
202	Huzhou Securities Branch	No.128, Hongqi Road, Huzhou City, Zhejiang Province	Lou Daxin	
203	Quzhou Xujiang Road Securities Branch	No. 65, 67, 69, Xujiang Road, Kecheng District, Quzhou City, Zhejiang Province	Xu Shenglin	



No.	Name	Securities Branches Address	Person In Charge	Note
204	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	
205	Jiaxing Huancheng South Road Securities Business	Department No. 281, Huancheng South Road, Nanhu District, Jiaxing City, Zhejiang Province	Yang Jianmin	
206	Pinghu Jiefang West Street Securities Branch	The 1st and 2nd Floor, No. 62, Jiefang West Road, Danghu Street, Pinghu city, Zhejiang Province	Sun Hangping	
207	Jinhua Securities Branch	No. 393, Bayi South Road, Jinhua city, Zhejiang Province	Zhong Xiaojun	
208	Taizhou Youdian Street Securities Branch	No.109-125, Youdian Road, Luqiao District, Taizhou City, Zhejiang Province	Yu Wei	
209	Wenzhou Jinxiu Road Securities Branch	Room 104, Building 1, Ruikang Business Building, Jinxiu Road, Wenzhou City	Jin Fan	
210	Hangzhou Jiangbin West Avenue Securities Branch	16-1 to 16-2, Jiangbin West Avenue, Fuchun Street, Fuyang District, Hangzhou	Yu Heguo	
211	Zhoushan Qiandao Road Securities Branch	1/F, Block A, Jianshe Building, No. 167 Qiandao Road, Lincheng Streets, Dinghai District, Zhoushan	Zhu Haijie	
212	Linhai Duqiao Xiazhu Road Securities Branch	No. 16, Xiazhu Road, Duqiao Town, Linhai City	Ren Liqing	
213	Taizhou Yinquan Road Securities Branch	No. 188, Yinquan Road, Huangyan District, Taizhou City	Mou Peng	
214	Shaoxing Keqiao Jianhu Road Securities Branch	1-2/F, Block A, No. 27 Keqiao Jianhu Road, Keqiao District, Shaoxing City	Xu Jianguo	
215	Chun'an Xinan Avenue Securities Branch	Floor 1, No. 49, Xinan Avenue, Qiandaohu Town, Chunan County	Xu Xinri	
216	Hangzhou Tiancheng East Road Securities Branch	No. 246-234, Tiancheng East Road, Hangzhou Economic and Technological Development Zone (Block 1, Shangsha Yongyu Building)	Jin Xinjian	
217	Taizhou Donghai Avenue	Securities Branch No. 680 & 682, Donghai Avenue, Taizhou City	Huang Li	
218	Zhuji Dongyi Road Securities Branch	No. 90 Dongyi Road, Huandong Subdistrict, Zhuji City	Li Zheng	



No.	Name	Securities Branches Address	Person In Charge	Note
219	Tongxiang Zhenxing East Road Securities Branch	1F9-10.2F9-10, Block C, New Century Tower, Zhenxing East Road, Wutong Sub-district, Tongxiang City	Shen Danxia	
220	Hangzhou Shixinzhong Road Securities Branch	No. 651 Shixinzhong Road, Beigan Subdistrict, Xiaoshan District	Zhang Yong	
221	Yongkang Wuzhou Road Securities Branch	1/F, Jinzhou Building, Yongkang Municipal Headquarters, Jinhua City, Zhejiang Province	Wu Jingyan	
222	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	
223	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	
224	Cangnan Longgang Avenue Securities Branch	2/F, Kangxin Building, Longgang Avenue, Longgang Town, Cangnan County	Yu Qianqian	
225	Wenling Sanxing Avenue Securities Branch	No. 297 & 297-1 Sanxing Avenue, Taiping Sub-district, Wenling City, Taizhou City, Zhejiang Province	Xie Peihong	
226	Anji Shengli West Road Securities Branch	No. 135-137 Shengli West Road, Changshuo Sub-district, Anji County, Huzhou City, Zhejiang Province	Chen Bin	
227	Haining Qianjiang West Road Securities Branch	No. 239,241, Qianjiang West Road, Haizhou Subdistrict, Haining City, Jiaxing City, Zhejiang Province	You Faqiang	
228	Hangzhou Shipping International Building Securities Branch	Room 120 & 218, Block 2, Shipping International Building, Shangcheng District, Hangzhou City	Bao Sheng	
229	Dongyang Shizi Street Securities Branch	No. 13 Shizi Street, Wuning Sub-district, Dongyang City, Zhejiang Province	Jin Kuang	
230	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	
231	Hangzhou Dengyun Road Securities Branch	No. 118-1 & 120 Denyun Road, Gongshu District, Hangzhou City, Zhejiang Province	Che Yu	
232	Hangzhou Dongxin Road Securities Branch	No. 654 (Provisional) Dongxin Road, Xiacheng District, Hangzhou City, Zhejiang Province	Zhu Qianfeng	



No.	Name	Securities Branches Address	Person In Charge	Note
233	Xinchang Lijiang Road Securities Branch	No. 111, Jingxin Building, Lijiang Road, Qixing Street, Xinchang County, Zhejiang Province	Wang Yuehua	Newly opened in 2018
234	Pujiang Renmin East Road Securities Branch	No.42, No.42-1, Renmin East Road, Puyang Street, Pujiang County, Zhejiang Province	Lou Jiani	Newly opened in 2018
235	Tiantai Chicheng Road Securities Branch	No. 267,269 Chicheng Road, Chicheng Street, Tiantai County, Taizhou City, Zhejiang Province	Lang Jianjun	Newly opened in 2018
236	Ningbo Daqing South Street Securities Branch	No. 6, Daqing South Road, Jiangbei District, Ningbo city	Zhou Hongliang	
237	Ningbo Liuting Street Securities Branch	Room 1607-1610, 16/F, No.225 Liuting Street, Haishu District	Wang Yunguo	
238	Ningbo Cuibai Street Securities Branch	No. 416, Cuibai Road, Jiangbei District, Ningbo city	Yin Mingge	
239	Ningbo Junzi Street Securities Branch	Room (2-8) (2-9), No. 19, Lane 88, Junzi Street, Haishu District, Ningbo	Li Hui	
240	Ningbo Ningnan North Road Securities Branch	No. 1049 Ningnan North Road, Zhonggong Temple Street, Yinzhou District, Ningbo City	Lin Changshan	
241	Fenghua Yuelin Road Securities Branch	No. 1-1, 1-2, 1-3, Yuelin Road, Jinpin Street, Fenghua District, Ningbo City,	Xu Ze	
242	Yuyao Yangming West Road Securities Branch	No. 348, Yangming West Road, Yuyao City, Zhejiang Province	Xu Yan	
243	Ningbo Daxie Xinchuang Road Securities Branch	61 Xinchuang Road, Daxie Development Zone, Ningbo	Liu Hengyi	
244	Ningbo Baizhang East Road Securities Branch	899, Baizhang East Road, Ningbo City, Zhejiang Province	Feng Yi	
245	Cixi Ciyong Road Securities Branch	No. 314-318 Ciyong Road, Hushan Sub-district, Cixi City, Zhejiang Province	Yu Xiaolan	
246	Hefei Jincheng Securities Branch	No. 419, Changjiang Middle Road, Luyang District, Hefei City, Anhui Province	Wu Kan	
247	Hefei Changjiang Middle Street Securities Branch	No. 57, Changjiang Middle Road, Hefei City, Anhui Provinc	Chen Xiaoqi	
248	Ma'anshan Hudong Central Road Securities Branch	Block 2, Jufengyuan, 777 Hudong Central Road, Huashan District, Ma'anshan	Wang Gongman	



No.	Name	Securities Branches Address	Person In Charge	Note
249	Huangshan Xinyuan East Road Securities Branch	No. 198, Xinyuan East Road, Tunxi District, Huangshan City, Anhui Province	Lu Wenbin	
250	Hefei Tunxi Street Securities Branch	1-2/F, East Podium, Xueyuan Building, No. 525 Huizhou Avenue, Baohe District, Hefei City	Wang Wei	
251	Hefei Qimen Street Securities Branch	No. 1569, Qimen Road, Zhengwu New Street, Hefei City, Anhui Province	Kong Jun	
252	Wuhu Limin West Street Securities Branch	Taixin Business Center (Huarun Suguo Limin Shopping Mall), Yijiang District, Wuhu city, Anhui Province	Gao Xuemin	
253	Bengbu Donghai Street Securities Branch	No. 5183 (Floor 1, East of Business Building, South of Zhanggongshan Park), Donghai Road, Bengbu City, Anhui Province	Zhou Yingyu	
254	Anqing Jixian South Road Securities Branch	No. 2 Jixian South Road, Dagan District, Anqing City	Ji Xiong	
255	Huainan Guangchang Road Securities Branch S	hop No. 116, 215, 216, Lucheng Garden, Plaza Road, Tianjiaan District, Huainan City, Anhui Province	Wang Tao	
256	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	
257	Tongling Yi'an Avenue Securities Branch	Room C102, Fortune Plaza, No. 1287 Yi'an Avenue North, Tongling City, Anhui Province	Han Hong	
258	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	
259	Chizhou Shicheng Avenue Securities Branch	Room 102, Block 1, Kaixuanmen, Shicheng Avenue, Chizhou City, Anhui Province	Xu Xiaolong	
260	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	
261	Fuzhou Dongshui Street Securities Branch	The 2nd to 3rd Floor, No. 55, Design Building Dongshui Road, Gulou District, Fuzhou City	Zheng Qingyu	





No.	Name	Securities Branches Address	Person In Charge	Note
262	Zhangzhou Shuixian Street Securities Branch	Room D3, Building D-E, Rongchang Square, Rongchang Garden, Shuixian Street, Longwen District, Zhangzhou City, Fujian Province	Lei Jintao	
263	Fuzhou Yeshan Road Securities Branch	Floor 4, Zonghe Building, No. 105 Yeshan Road, Gulou District, Fuzhou City, Fujian Province	Zheng Yong	
264	Quanzhou Nanjun Road Securities Branch	No. 132, Nanjun North Road, Dongsheng Community, Kaiyuan Subdistrict, Licheng District, Quanzhou City, Fujian Province	Wu Liangkai	
265	Sanming Liedong Street Securities Branch	Shop 6,7,8, 1/F, Block 362, Gan Long New Village, Meilie District, Sanming City	Li Lihua	
266	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	
267	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	Lin Yunbing	
268	Ningde Securities Branch	Room 101 & 201, Block 1, Qinghua Court, No. 39 Jiaocheng South Road, Jiaocheng District, Ningde City, Fujian Province	Chen Gang	
269	Yunxiao Jiangjun Avenue Securities Branch	No. 101-103, Block 7, Yijing Sunshine, Jiangjun Avenue, Yunxiao County, Fujian Province	Fang Zhongzhong	
270	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	
271	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	
272	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	



No.	Name	Securities Branches Address	Person In Charge	Note
273	Nanping Binjiang West Road Securities Branch	112#, Building 16, Wanda Central Huacheng, Binjiang West Road, Tongyou Group, Wuyi New District, Nanping City	You Zhifeng	Newly opened in 2018
274	Xiamen Meihu Street Securities Branch	No. 75-87, Meihu Road, Xiamen city	Chen Huashu	
275	Xiamen Minzu Road Securities Branch	Unit 1702 & 1703, Century Center, No. 50 Minzu Road, Siming District, Xiamen City	Ding Fuyun	
276	Xiamen Jiahe Street Securities Branch	The 5th Floor, Block C New Jingyuan Center, No. 25, Jiahe Road, Siming District, Xiamen city	Zeng Wenqing	
277	Xiamen Tongan Xiangping Securities Branch	Block 6, No. 72, Xiqiao Road, Xiangping Street, Tongan District, Xiamen City	Wei Xiangfei	
278	Xiamen Haitian Road Securities Branch	Unit 7, No. 55 Haitian Road, Huli District, Xiamen City	Sun Shuling	
279	Xiamen Tapu East Road Securities Branch	Room 102, No. 171 Tapu East Road, Siming District, Xiamen City	Wang Junzhao	
280	Xiamen Honglian Road Securities Branch	Unit 102, No. 17 Honglian Road, Siming District, Xiamen City	Yan Dongsheng	
281	Nanchang Square East Street Securities Branch	No. 203, Square East Road, Nanchang City, Jiangxi Province	Jin Zicheng	
282	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	Shuang Nianqun	
283	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	
284	Shangrao Daihu Road Securities Branch	No.1-1, Block 2, No. 50 Daihu Road, Xinzhou District, Shangrao City, Jiangxi Province	Wang Jianhong	
285	Nanchang Honguzhong Avenue Securities Branch	Room 105, Storefront, Block 2, District 1, Wan Da Xing Cheng Phase 3, Honggutan New District, Nanchang City, Jiangxi Province	Li Jianqiao	
286	Yudu Lianxi Road Securities Branch	12-1#109, Xuefu Commercial Street, Lianxi Road, Gongjiang Town, Yudu County Xie Jian	Xie Jian	



No.	Name	Securities Branches Address	Person In Charge	Note
287	Nanchang Liantang Securities Branch	No. 888 Lianxi Road, Liantang Town, Nanchang County, Nanchang City, Jiangxi Province	Peng Jian	
288	Pingxiang Shaoshandong Road Securities Branch	Room 109-112, Block 1, Kaixuan Shangri, No. 789 Shaoshandong Road, Anyuan District, Pingxiang City, Jiangxi Province	Li Jin	
289	Yantai Securities Branch	No.175, Xinanhe Road, Yantai City, Shandong Province	Zhang Huasheng	
290	Jinan Jingqi Street Securities Branch	No. 83, Jingqi Road, Jinan City, Shandong Province	Zhong Jian	
291	Zibo Linzi Street Securities Branch	No. 698, Linzi Street, Linzi District, Zibo City Shandong Province	Wu Tao	
292	Jinan Wuyuan Street Securities Branch	Room 05, 06, 13th Floor, No. 102, Wuyuan Street, Lixia District, Jinan City	Wu Yunpeng	
293	Weihai Tongyi Road Securities Branch	No. 29-47, 49, Tongyi Road, Weihai City	Shao Renhang	
294	Jining Guanghe Road Securities Branch	Yinhe Building, No. 18 Guanghe Road, Jining City	Du Zhaohui	
295	Dongying Fuqian Avenue Securities Branch	No. 84 Fuqian Avenue, Dongying District	Che Xiaoyu	
296	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	
297	Rizhao Weihai Road Securities Branch	Room 102, 01 Unit, Block 1AB, B District, Xingye Xinyinghuafu, Weihai Road, Donggang District, Rizhao City, Shandong Province	Xing Lin	
298	Liaocheng Dongchang West Road Securities Branch	No.111 Dongchang West Road, Dongchangfu District, Liaocheng	Wang Yongmei	
299	Tai'an Changcheng Road Securities Branch	No. 09, Block 1, Dazhan Xincheng Guoji, West side of Beishou, Changcheng Road, Tai'an City	Lu Huawei	
300	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	



No.	Name	Securities Branches Address	Person In Charge	Note
301	Binzhou Huanghe Fifth Road Securities Branch	No. 356 Huanghe Fifth Road, Bincheng District, Binzhou City, Shandong Province	Xin Tong	
302	Qingdao Nanjing Road Securities Branch	No. 100-Mao, Nanjing Road, Shinan District, Qingdao	Liu Xiaoyong	
303	Qingdao Hong Kong West Road Securities Branch	No. 22, Xianggang West Road, Shinan District, Qingdao City	Jia Kaizhou	
304	Qingdao Development Zone Securities Branch	Room 201, Building No. 1, Block 27, No. 157 Dongjiang Road, Huangdao District, Qingdao City, Shandong Province	Zou Haimiao	
305	Qingdao Qinling Road Securities Branch	No. 107, Tower House, Haiyun Dongfang Building, No. 15, Qinling Road, Laoshan District, Qingdao City, Shandong Province	Ma Yong	
306	Qingdao Harbin Road Securities Branch	No. 204, Block 2, Commercial Building, No. 52 Harbin Road, Shibei District, Qingdao City, Shandong Province	Duan Zhiqiang	
307	Qingdao Jimo City Yanqing Road Securities Branch	No. 510 Yanqing Road, Jimo City, Qingdao City, Shandong Province	Du Weichao	
308	Zhengzhou Jiankang Street Securities Branch	No.168, Jiankang Road, Zhengzhou City, Henan Province	Wang Junzhao	
309	Zhengzhou Longhai Street Securities Branch	Floor 4, No. 59, Longhai Road, Zhengzhou City, Henan Province	Yang Mujun	
310	Zhengzhou Jingsan Street Securities Branch	No. 85, Jingsan North Road, Zhengzhou City, Henan Province	Wang Chunxia	
311	Zhengzhou Nanyang Street Securities Branch	Heli Building, Attached No. 16, No. 76 Huanghe Road, Jinshui District, Zhengzhou City	Zhang Qingjun	
312	Zhengzhou Shanhe Securities Branch	No. 39, Weiwu Road, Jinshui District, Zhengzhou City, Henan Province	Ma Chaoqun	
313	Xuchang Xuji Avenue Securities Branch	No. 589, Xuji Avenue, Weidu District, Xuchang City	Pan Haixia	
314	Xinxiang Youyi Road Securities Branch	Room 107, 1-2/F, Building 28, 103 Factory Residential Community, No. 1 Youyi Road, Xinxiang City	Wang Qingfeng	
315	Luoyang Taikang Road Securities Branch	105, Building 3, Yuanhua International City Apartment, 30 Taikang Road, Luolong District, Luoyang City, Henan Province	Li Ke	



No.	Name	Securities Branches Address	Person In Charge	Note
316	Ruzhou Securities Branch	No. 54 Chengyuan North Road, Ruzhou City, Henan Province	Fu Wei	
317	Zhumadian Wenming Avenue Securities Branch	Northwest Corner of the Intersection of Fengze Road and Wenming Road, Zhumadian Development Zone	Zhang Chunsheng	
318	Xinyang Beijing Road Securities Branch	Shop 108, 208 & 209, Block 9, Zhengtong Guihua Court, No.187 Beijing Road, Shihe District, Xinyang City	Lu Jie	
319	Kaifeng Hanxing Road Securities Branch	Kaifeng City, Hanxing Road and Huanghe Road intersection, Sena left bank, Building 8, Shop No. 3	Wang Dong	Newly opened in 2018
320	Wuhan Aomen Street Securities Branch	Macau Ginza Phase II, No.123, Aomen Road, Jiangnan District, Wuhan City, Hubei Province	Zhao Baohe	
321	Wuhan Hanyang Securities Branch	No.155, Yingwu Avenue, Hanyang District, Wuhan	Wang Xuan	
322	Wuhan Zhongnan Road Securities Branch	No.456 (New Era Business Center), Wuluo Road, Zhongnan Road, Wuchang District, Wuhan City, Hubei Province	Gu Xiongfei	
323	Wuhan Xinhua Road Securities Branch	IFC, No. 296, Xinhua Road, Jiangnan District, Wuhan City	Xiong Feng	
324	Wuhan Jiyuqiao Securities Branch	Yuqiao New Building, No. 6 and 7 Annex Building, Jiyuqiao, Wuchang District, Wuhan City, Hubei Province	Ye Jun	
325	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	
326	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	
327	Wuhan Zhuankou Ningkang Street Securities Branch	No. 262-267, Shenlong Commercial Street, No. 69 Ningkang Road, Wuhan Economical and technical development Zone, Hubei City	Dai Dongchen	
328	Yichang New Century Securities Branch	No. 21, Yunji Road, Yichang City, Hubei Province	Gong Aiming	
329	Jingmen Securities Branch	No.118, Xiangshan Street, Jingmen City, Hubei Province	Wang Wei	



No.	Name	Securities Branches Address	Person In Charge	Note
330	Shayang Hanjin Street Securities Branch	No. 53, Hanjin Road, Shayang County, Hubei Province	Tong Dehong	
331	Xiangyang Securities Branch	No. 31, Daiqing West Road, Fancheng District, Xiangyang City, Hubei Province	Yu Rongyan	
332	Zaoyang Securities Branch	2nd Floor, Yulongju Office Building, Middle Section of Renmin Road, Zaoyang City	Yuan Guanghui	
333	Wuhan Guanggu Securities Branch	No. 1077, Luoyu Road, Hongshan District, Wuhan City	Shen Bin	
334	Changsha Furong Middle Street Securities Branch	No. 275, 2nd of Furong Middle Road, Changsha City	Zou Wenchao	
335	Loudi Leping Avenue Securities Branch	The eighth and ninth floors of No. 266, Leping Avenue East, Louxing District, Loudi City, Hunan Province	He Boyuan	
336	Changsha Jiefang Middle Road Securities Branch	5th Floor, Huaqiao Building, No. 18 Jiefang Middle Road, Furong District, Changsha City	Zhang Xianghong	
337	Xiangtan Furong Central Road Securities Branch	No. 0101004 Zhongyi International, No. 52 Furong Central Road, Baota Streets, Yuetang District, Xiangtan City	Feng Jun	
338	Zhuzhou Tianyuan Huangshan Road Securities Branch	Room 207, 107, Block 6, Hua Chen Yu Yuan, Huangshan Road, Tianyuan District, Zhuzhou City	Tang Yingbiao	
339	Shaoyang Hongqi Road Securities Branch	No. 460 Hongqi Road, Daxiang District, Shaoyang City, Hunan Province	Li Yalin	
340	Huaihua Yingfeng West Road Securities Branch	No. 152 Yingfeng West Road, Hecheng District, Huaihua City, Hunan Province	Tan Gongxian	
341	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	
342	Hengyang Jiefang Avenue Securities Branch	1/F, Zijin Garden, No. 4 Jiefang Avenue, Hengyang High-tech Zone, Hunan Province	Feng Ling	
343	Yueyang Jianxiang Road Securities Branch	Shop 1102, Tianlun International, No. 599 Jianxiang Road, Yueyanglou District, Yueyang City	Wei Hua	



No.	Name	Securities Branches Address	Person In Charge	Note
344	Zhangzhou Renmin East Road Securities Branch	No. 201, No. 11, Renmin East Road, Beihu District, Chenzhou City, Hunan Province	Yan Xin	Newly opened in 2018
345	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	Newly opened in 2018
346	Guangzhou Tianhe North Street Securities Branch	Part of the 1st, 2nd and 3rd Floor, Guanghua Building, No. 90-108, Tianhe North Road, Tianhe District, Guangzhou City, Guangdong Province	Shi Nan	
347	Guangzhou Dongfeng West Street Securities Branch	Room 101 and 202, Educational Academic Center Building A, Guangzhou Medical School, No.195, Dongfeng West Road, Yuexiu District, Guangzhou City	Zeng Jun	
348	Guangzhou Zhongshan 2nd Street Securities Branch	O Unit 1/F and 203-213 Unit 2/F, Dianxin Square, No. 18, Zhongshan 2nd Road, Yuexiu District, Guangzhou City, Guangdong Province	Pan Xiang	
349	Guangzhou Huanshi East Road Securities Branch	No. 336, 3/F, Huanshi East Road, Yuexiu District, Guangzhou City	Xu Bier	
350	Guangzhou Huaxia Road Securities Branch	Units 02-04A (self-made number), 24/F, Yajule Centre, 26 Huaxia Road, Tianhe District, Guangzhou	Xiong Wenfeng	
351	Jieyang Wangjiang North Street Securities Branch	No. 52 Sunwen East Road, Shiqi District, Zhongshan City, Guangdong Province	Wei Dan	
352	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	
353	Zhongshan Huangpu Xinfeng North Road Securities Branch	Shop 02, 03, 09, 10, 11, Block 3, Building 7 Lantian Jindi Garden, No. 63 Xinfeng North Road, Huangpu Town, Zhongshan City, Guangdong Province	Yang Xinsheng	
354	Zhongshan Xiaolan Zijin East Road Securities Branch	B Unit, 2/F, No. 70 Xiaolan Zijin East Road, Zhongshan City, Guangdong Province	Ye Shaowen	



No.	Name	Securities Branches Address	Person In Charge	Note
355	Foshan Shunde Daliang Securities Branch	Zone A, Floor 4, Xindeye Business Center, Jincheng Garden, No. 11 Dongle Road, Yun Road, Shunde District, Foshan City	Tian Dongmei	
356	Foshan Shunde Ronggui Securities Branch	No.19-26, Shoucengpu, Block C, Happiness Garden, Middle Guizhou Street, Happiness Neighborhood Committee, Ronggui Street Office, Shunde District, Foshan City, Guangdong Province	Shao Xinglu	
357	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	Qi Xixia	
358	Foshan Securities Branch	No. 2, Renmin West Road, Shancheng District, Foshan City, Guangdong Province	Wu Hui	
359	Foshan Nanhai Guiping West Street Securities Branch	Shop 106, Block 1, Block 1, Yineng International Plaza, No. 2, Guiyu North Road, Guicheng Street, Nanhai District, Foshan City (declaration of residence)	Zheng Jincheng	
360	Zhanjiang Haibin Street Securities Branch	The 1st and 2nd Floor, Longquanwan Business Building, No.61, South Haibin Street, Zhanjiang City, Guangdong Province	Lin Wenqing	
361	Huizhou Wenming 1st Street Securities Branch	908-912 Unit, Floor 9, Fushen Building, No. 9, Jiangbei Wenming Road, Huicheng District, Huizhou City	Dong Xinxing	
362	Zhuhai Jingshan Street Securities Branch	The 7th and 11th Floor, Tong Xin Building, No.173, Jingshan Avenue, Xiangzhou District, Zhuhai City, Guangdong Province	Miao Di	
363	Dongguan Dongcheng Central Road Securities Branch	701 and 702, Junhao Business Centre, Dongcheng Central Road, Gangbei, Dongcheng Street, Dongguan, Guangdong Province	Sun Bao	
364	Shantou Songshan Road Securities Branch	No. 89, Songshan Road, Shantou, Guangdong Province	Chen Chengtong	
365	Shantou Chenghai Securities Branch	Floors 1 to 4, Jingtai Plaza, Block C21, Huijing Garden, Chenghai District, Shantou City	Chen Zhihua	





No.	Name	Securities Branches Address	Person In Charge	Note
366	Shantou Chaoyang Securities Branch	No. 36, Dongshan Street, Chaoyang District, Shantou City, Guangdong Province	Cai Baodong	
367	Shantou Jinsha Road Securities Branch	Floor 10, No. 97, Jinsha Road, Shantou City, Guangdong Province	Huang Shaoyong	
368	Shantou Hanjiang Street Securities Branch	No.1, Hanjiang Road, Shantou City, Guangdong Province	Lan Jiekai	
369	Guangzhou Panyu Wanbo Fourth Road Securities Branch	301-1, Block 2, No. 42 Wanbo Fourth Road, Nancun Town, Panyu District, Guangzhou City	Liang Jian	
370	Jiangmen Development Avenue Securities Branch	Room 1201-1204, Block 1, Jiangmen Wanda Plaza, Pengjiang District, Jiangmen City, Guangdong Province	Chen Gang	
371	Jieyang Wangjiang North Street Securities Branch	No.16, The 1st and 2nd Floor, Hemeiyuan Wangjiang North Road, Rongcheng District, Jieyang City, Guangdong Province	Yuan Songsheng	
372	Zhanjiang Lianjiang Huanshi North Road Securities Branch	No. 66, Lianjiang Huanshi North Road, Zhanjiang City, Guangdong Province	Luo Yufeng	
373	Dongguan Humen Avenue Securities Branch	Shop 102, West, Top Floor, No. 9 Building C5 Hengyu Bay, Xinghu Avenue, Zhaoqing City, Guangdong Province	Fan Zhiming	
374	Guangzhou Guangzhou Avenue Central Securities Branch	Room 2502, North Tower, No. 988 Guangzhou Avenue Central, Tianhe District, Guangzhou City (For office only)	Chen Wenyuan	
375	Zhongshan Sanxiang Jingguan Avenue Securities Branch	Cart 48, Jing Guan Hao Ting, No. 2 Jingguan Avenue, Sanxiang Town, Zhongshan City	Ning Shaojun	
376	Foshan Nanzhuang Dijing North Road Securities Branch	P1, 1/F, District 3, No. 16 Dijing North Road, Shichian Town, Foshan City	Liang Yusheng	
377	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	
378	Zhongshan Cuiling Road Securities Branch	Cart 17, 2/F, Block 1, Tian Qing Hui Fu, No. 2 Cuiling Road, Huoju Development Zone, Zhongshan City	Chen Hao	



No.	Name	Securities Branches Address	Person In Charge	Note
379	Zhanjiang Guanhai North Road Securities Branch	House 21, 1/F, Block 2, 3, 4, 5, Zhanjiang Bin Hai Yuan, No. 1 Guanhai North, Chikan District, Zhanjiang City	Guan Shaoxia	
380	Dongguan Humen Avenue Securities Branch	No. 12, Jinyue Court North, Block D, Huang Jin Zhou Gao Ke Building (Jin Se Jia Yuan), Humen Town, Dongguan City	Ning Ximing	
381	Foshan Nanhai Guangyun Road Securities Branch	Shop 32, 1/F, Yong Jing Court, Jiayi Garden, Guangyun Road, Dali Town, Nanhai District, Foshan City	Wu Riwen	
382	Zhanjiang Renmin Avenue Central Securities Branch	Shop 05, 1/F, Chengshi Shangpin Building, 40 Renmin Avenue Central, Zhanjiang Development Zone	Qiu Meiyang	
383	Guangzhou Zengcheng Licheng Street Securities Branch	Room 1001, No. 20, Minle Road, Licheng Street, Zengcheng, Guangzhou City	Yang Ruizhen	
384	Guangzhou Yuejiang Central Road Securities Branch	Room 106, 301 No. 686, Yuejiang Central Road, Haizhu District, Guangzhou City	Cheng Shixuan	
385	Zhanjiang Leizhou Xihu Avenue Securities Branch	Shop 103, Block C1, Long Jing Ming Ju, 99C Xihu Avenue, Leizhou City (inside the former Light Machinery Factory)	Zhuang Qing	
386	Guangzhou Fangcun Avenue West Securities Branch	1/F, 2/F, No. 295 Fangcun Avenue West, Liwan District, Guangzhou City	Li Lijun	
387	Guangzhou Guan hong Road Securities Branch	Room 201-205, 207 and 208, 2/F, No. 12 Guan hong Road, Luogang District, Guangzhou City (For office only)	Long Ming	
388	Guangzhou Airport Road Securities Branch	Room 106A, No. 585 Airport Road, Baiyun District, Guangzhou City (For office only)	Dong Siyi	
389	Meizhou Yanjiang West Road Securities Branch	No. 32, Yanjiang West Road, Meizhou City, Guangzhou Province	Sima Wanxia	
390	Qingyuan Lianjiang Road Securities Branch	Cart 9, 10, 4/F, No.13 Commercial Building, Xincheng East Second District, Qingyuan City	Cai Yanfang	
391	Guangzhou Dasha East Road Securities Branch	Shops 101 and 102, 205 Dasha East Road, Huangpu District, Guangzhou	Yang Haiyan	
392	Chaozhou Chaofeng Road Securities Branch	Shop 03, 1/F, Chen Zhongming Tower, South of Middle Chaofeng Road, Chaozhou City, Guangdong Province	Li Hao	



No.	Name	Securities Branches Address	Person In Charge	Note
393	Foshan Shunde Outer Ring Road Securities Branch	Shop 17, Block 6, Baoli Bund Garden, No. 2 Rong Gui Xiao Huang Pu Residents Committee Outer Ring Road, Shunde District, Foshan City	Chen Yuxiang	
394	Guangzhou Huacheng Avenue Securities Branch	1/F (Portion: a unit of Room 103 (selfnumbered)), No. 665 Huacheng Avenue, Tianhe District, Guangzhou City	Cao Wuquan	
395	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	
396	Foshan Shunde Junan Baian North Road Securities Branch	Shop 40, Shang Shu Jun Ting, No. 20 Baian North Road, Junan Town, Shunde District, Foshan City	Chen Jie	
397	Guangzhou Binjiang East Road Securities Branch	Room 101, No. 554-3, Binjiangdong Road, Haizhu District, Guangzhou City	Chen Xiongwen	
398	Heyuan Yuewang Avenue Securities Branch	Shops 45 & 46, Huayi Court, Guangcheng Zhongyuan Square, No. 102 Yuewang Avenue, Yuancheng District, Heyuan City	Zeng Yufeng	
399	Huizhou Danshui Securities Branch	Shops 11, 12 & 13, 2/F, Block 3, Enswan Business Culture Center, Danshui Tuhu Liuwubei, Huiyang District, Huizhou City	Ruan Bike	
400	Zhongshan Xingwen Road Securities Branch	Unit 50, 1/F, Block 7-12, Dijing Dongfang Garden, 13 Xingwen Road, East District, Zhongshan City	Wan Canrong	
401	Dongguan Dongjun Road Securities Branch	Shops A102 & A103, Dongjun Haoyuan Phase I, No. 28 Dongjun Road, Hongtu Community, Nancheng Subdistrict, Dongguan City	Lin Qingcai	
402	Shaoguan Jiaoyu Road Securities Branch	Shops 14 2018, Hongye Youshan Meidi Garden, No. 279 Kangle Village, Jiaoyu Road, Wujiang District, Shaoguan City	Zhou Qinghua	
403	Foshan Shunde Yixing Road Securities Branch	Zone A4, 1/F, Yingfeng Center, No. 8 Yixing Road, Xincheng District, Beijiao Town, Shunde District, Foshan City	Zhao Huizan	
404	Zhuhai Hengqin Securities Branch	Block B, Level 6, Building 6, Hengqin Financial Industry Development Base, Hengqin New District, Zhuhai City	Liang Yuhua	Newly opened in 2018



No.	Name	Securities Branches Address	Person In Charge	Note
405	Shenzhen Shennan Avenue Securities Branch	Unit 1701-01, Block A, Jingji 100 Building, No. 5016 Shennan East Road, Luohu District, Shenzhen City	Lin Jianmin	
406	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	
407	Shenzhen Luohu Securities Branch	1301-1302 13/F and 1501-1506 15/F, East Financial Building, No. 2020, Dongmen Middle Road, Luohu District, Shenzhen	Shi Zhongyang	
408	Shenzhen Shenye Shangcheng Securities Branch	Units 5301 and 5302 of T2 Building, Shenye Shangcheng (South District), No. 5001 Huanggang Road, Huancheng Village, Huaifu Street, Futian District, Shenzhen	He Qiang	
409	Shenzhen Jingtian Securities Branch	2/F, Saigejingyuan Building, 17 West Jingtian Road, Futian District, Shenzhen City	Lin Yibin	
410	Shenzhen Xianglin Road Securities Branch	701-705 Fuchun Oriental Building, Xianglin Road, Futian District, Shenzhen City	Zhou Fangyu	
411	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	
412	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	
413	Shenzhen Minzhi Securities Branch	Building 145, Building 7, Qilixiang, Daling Community, Minzhi Street, Longhua District, Shenzhen, China	Shen Dan	
414	Shenzhen Pingshan Kengzi Xinfu	Street Securities Branch 302, No. 36 Xinfu Street, Kengzi Office, Pingshan New District, Shenzhen City	Liu Jianrong	
415	Shenzhen OCT Securities Branch	101D, Podium, Hubin Garden City, Overseas Chinese Town, Nanshan District, Shenzhen City	Yang Haoyuan	



No.	Name	Securities Branches Address	Person In Charge	Note
416	Shenzhen Longhua Securities Branch	305 and 306, Henghe International Building, Donghuan 1st Road, Longhua Street, Longhua New District, Shenzhen	Yin Xinmin	
417	Shenzhen Yinhu Road Securities Branch	East Wing, Floor 2, Yinhu Restaurant, No. 38, Yinhu Road, Qingshuihe Street, Luohu District, Shenzhen	Chen Xinghua	
418	Shenzhen Fuyong Avenue Securities Branch	Floor 4, Zhengfeng Building, No.7, Fuyong Avenue, Fuyong Street, Bao'an District, Shenzhen	Dai Hui	
419	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	
420	Shenzhen Bao'an Haixiu Road Securities Branch	No. 3-49, Block 2, Tower B, Logan Century Center, No. 23 Haixiu Road, Xin'an Sub-district, Bao'an District, Shenzhen	Mei Jialin	
421	Shenzhen Guangming Securities Branch	No. A25 & A26, Block 1, North Zone, Fuying Zhongyang Mountain Garden, Zhenming Road, Gongming Subdistrict, Guangming New Area, Shenzhen	Huang Canhui	
422	Shenzhen Bantian Securities Branch	No. 201, 2/F, Tower D, Galaxy WORLD, No. 1 Yabao Road, Bantian Subdistrict, Longgang District, Shenzhen	Li Kaien	
423	Shenzhen Nanshan Coastal City Securities Branch	Unit 1111, East Block, Coast Building, No. 15 Haide 3rd Road, Yuehai Street, Nanshan District, Shenzhen	Hu Yuehang	Newly opened in 2018
424	Shenzhen Tianan Yungu Securities Branch	Building 106, Phase 1, Tian'an Yungu Industrial Park, Gangtou Community, Putian Street, Longgang District, Shenzhen, China	Zhang Haiyu	Newly opened in 2018
425	Nanning Yuan, Hunan Road Securities Branch	No.12-2 Yuanhu South Road, Nanning City, Guangxi Province	Huang Jianhua	
426	Guilin Middle Zhongshan Road Securities Branch	8/F, South Tower, Bagui Building, 47 Middle Zhongshan Road, Xiufeng District, Guilin City, Guangxi Province	Li Jiaping	
427	Liuzhou Youyi Road Securities Branch	Room 2-2, Youyiguoji, 11th Building, No. 4 Youyi Road, Liuzhou City	Zheng Feilong	



No.	Name	Securities Branches Address	Person In Charge	Note
428	Hezhou Jianshe Middle Road Securities Branch	Shop on 1/F, Block A, No. 31, Middle Jianshe Road, Babu District, Hezhou City, Guangxi	Zhou Wang	
429	Yulin Guangchang East Road Securities Branch	No. 139, Guangchang East Road, Yuzhou District, Yulin City, Guangxi	Yang Zhenghao	
430	Haikou Binhai Avenue Securities Branch	1&13/F, Qiongtai Building, 83 Binhai Avenue, Haikou City	Wen Yongchun	
431	Sanya Yingbin Road Securities Branch	2/F, Shop 3, Zone 5, Shanshui Tianyu community, Yinbin Road, Jiyang District, Sanya, Hainan Province	Chen Weihong	
432	Chongqing Minzu Road Securities Branch	3/F, Block B, 108 Minzu Road, Yuzhong District, Chongqing City	Liu Hengyan	
433	Chongqing Jiangnan Avenue Securities Branch	Room 5-1, Chengshizhiguang Building, No.19 Jiangnan Avenue, Nanping Subdistrict, Nan'an District Chongqing City	Tang Hewen	
434	Chongqing Mixc Securities Branch	No. 2-1, Block 26, No. 55 Xiejawan Main Street, Jiulongpo District, Chongqing City	Cao Yi	
435	Chongqing East Jianxin Road Securities Branch	2/F, Baiyexing Building, No. 3 East Jianxin Road, Jiangbei District, Chongqing City	Liu Yu	
436	Chongqing Yinhua Road Securities Branch	1/F, Qinianyuecheng 7th Building, No. 166 Yinhua Road, Longshan Subdistrict, Yubei District, Chongqing City	Ge Ning	
437	Chongqing Jiangjin Securities Branch	Unit 3-1 Block 1, Xiangrui Building, No. 518 Dingshan Road, Dingshan Subdistrict, Jiangjin District, Chongqing City	Liu Yu	
438	Chongqing Hanyu Road Securities Branch	No. 40, No. 18, Hanyu Road, Shapingba District, Chongqing	Yan Huaqiao	
439	Chongqing Songqing Road Securities Branch	No. 1-1-138, No. 18 Cuiyun Street, No. 1048 Songqing Road, Chunhui Road Streets, Dadukou District, Chongqing City	Xiong Qiao	
440	Chongqing Ruitian Road Securities Branch	No. 182-18, Ruitian Road, Yuzhong Road, Chongqing City	Huang Rui	
441	Chongqing Banan District Securities Branch	Annex No. 4-6, No. 241 Yunan Avenue, Banan District, Chongqing City	Zhang Shuobin	



No.	Name	Securities Branches Address	Person In Charge	Note
442	Chongqing Wanzhou Securities Branch	No. 83 Gaosuntang, Wanzhou District, Chongqing City	Fu Xiangyang	
443	Chongqing Fengtian Avenue Securities Branch	No. 122, 123, No. 136, Fengtian Avenue, Shapingba District, Chongqing	Zhang Lin	Newly opened in 2018
444	Chengdu South Renmin Road Securities Branch	No. 201, 2/F, Unit 1, Block 1, No. 555 Yizhou Avenue Middle Section, Hitech Zone, Chengdu City	Xu Cheng	
445	Chengdu North 2nd Huan Road Securities Branch	No.8, North Section 1, 2nd Huan Road, Chengdu City	Li Hui	
446	Chengdu Chengfei Avenue Securities Branch	2/F, No. 123 Jingyi Road, Chengfei Avenue, Jingyi Road, Qingyang District, Chengdu City	Xu Ziqin	
447	Chengdu Jianshe Road Securities Branch	No. 9 Jianshe Road, Chenghua District, Chengdu City	Zhang Zhiqiang	
448	Chengdu North Kehua Road Securities Branch	No.139, North Kehua Road, Chengdu City, Sichuan Province	Wang Hong	
449	Meishan Renshou Guangming Road Securities Branch	No. 389, Section 2 of Guangming Road, Wenlin Town, Renshou County	Liu Xiaobin	
450	Leshan Renmin South Road Securities Branch	No. 210, No. 212 Renmin South Road, Shizhong District, Leshan City	Chen Jun	
451	azhong Yuntai Street Securities Branch	Shop 1-6, 1-7, Shizhongxing Complex, Jiangbei Avenue, Bazhong City, Sichuan Province	Lin Hai	
452	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	
453	Neijiang Yuxi Road Securities Branch	No. 147, No. 149, No. 151, Yuxi Road, Shizhong District, Neijiang City, Sichuan Province	Lin Hong	
454	Chengdu Shuangliu Yingchun Road Securities Branch	No. 66, Section 4 of Yingchun Road, Dongsheng Street, Shuangliu County, Chengdu City, Sichuan Province	Chen Qiang	
455	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	
456	Chengdu Wenjiang Wenhua Road Securities Branch	No. 22, 1/F, Block 15, No. 1 Wenhua Road, Liucheng, Wenjiang District, Chengdu	Wang Wei	



No.	Name	Securities Branches Address	Person In Charge	Note
457	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	
458	Chengdu Wuyang Avenue Securities Branch	1/F, No. 65 & 67 Wuyang Avenue Section 3, Wuhou District, Chengdu	Hu Ke	
459	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	
460	Guiyang Xintian Avenue Securities Branch	No. 7, 1/F, Block B1-B4, B6, District B, Zhongtian Garden Phase 3, No. 289, South section of Xintian Avenue, Yunyan District, Guiyang City	Zhong Wei	
461	Zunyi Kunming Road Securities Branch	No. 304, 3/F, No. 10 (Hall A) Weiyi Guoji, Kunming Road, Huichuan District, Zunyi City, Guizhou Province	Wang Jiayong	
462	Kunming West Dongfeng Road Securities Branch	9/F, Shunchengdongta Building, 11 West Dongfeng Road, Kunming City, Yunnan Province	Wei Yuhong	
463	Kunming Baita Road Securities Branch	393 Baita Road, Kunming City, Yunnan Province	Wang Anyuan	
464	Kunming Minhang Road Securities Branch	Unit 7-A, Tower A, Yunnan Chengtou Building, 400 Minhang Road, Guandu District, Kunming City	Qi Wei	
465	Yiliang Huayuan Street Securities Branch	2/F, Block 6, Vision City Plaza, Huayuan Street, Yiliang County, Kunming City, Yunnan Province	Shen Yanbin	
466	Chuxiong Lucheng South Road Securities Branch	No. 44, Lucheng South Road, Chuxiong, Chuxiong Prefecture, Yunnan Province	Wei Heming	
467	Hekou Fuan Road Securities Branch	No. 3, Block 22, Beishan New District, Hekou County, Honghe Prefecture, Yunnan Province	Guan Zhimeng	
468	Mojiang Twins Avenue Securities Branch	Shop 4-e, 1/F, Unit 3, Xingyujinyue Garden, Twins Avenue, Moon Plaza, Mojiang County, Pu'er City, Yunnan Province	Lu Rongyi	





No.	Name	Securities Branches Address	Person In Charge	Note
469	Qujing Jiaotong Road Securities Branch	No. 50, Traffic Road, Qilin District, Qujing City, Yunnan Province	Zhong Haochen	
470	Xi'an East Youyi Road Securities Branch	No. 51, East Youyi Road, Xi'an, Shaanxi City	Huang Yaguang	
471	Xi'an Heping Road Securities Branch	Jiateng Building, No. 112, Heping Road, Beilin District, Xi'an City	Wang Juan	
472	Baoji Gaoxin Avenue Securities Branch	No. 59, Gaoxin Avenue, Baoji City, Shaanxi	Zhao Liang	
473	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	
474	Weinan Chaoyang Street Securities Branch	No. 2, Chaoyang Street, Linwei District, Weinan City	Zhang Yong	
475	Xi'an Jinye Road Securities Branch	Commercial B1-101, Jinye Times Project, No. 32 Jinye Road, High-tech Zone, Xi'an	Gu Geng	Newly opened in 2018
476	Lanzhou Qingyang Road Securities Branch	No. 77, Qingyang Road, Chengguan District, Lanzhou, Gansu Province (3&4/F, Bikexin Building)	Zhao Gong	
477	Baiyin Hongxing Road Securities Branch	Room 5-01 (5/F, Jinghong Jiahua Hotel), Block 7, No. 280 Hongxing Road, Baiyin District, Baiyin City, Gansu Province	Fang Peng	
478	Pingliang East Main Street Securities Branch	No. 24 East Main Street, Kongdong District, Pingliang City, Gansu Province	Hao Qiang	
479	Jiuquan Xiuyuan Road Securities Branch	Block 4, North Zone, Xinxin Garden, No. 1 Xiuyuan Road, Suzhou District, Jiuquan City, Gansu Province	Wang Li	
480	Xining West Street Securities Branch	4/F, Xingwang Building, No. 30 West Street, Chengzhong District, Xining, Qinghai Province	Tang Haiying	
481	Golmud South Kunlun Road Securities Branch	No. 20, South Kunlun Road, Dongcheng District, Golmud, Qinghai Province	Zhang Longlong	
482	Xining Changjiang Road Securities Branch	No. 106-26 Changjiang Road, Xining City, Qinghai Province	Feng Qing	
483	Xining Xiadu Avenue Securities Branch	No. 220 Xiadu Avenue, Chengdong District, Xining City	Wang Fang	
484	Yinchuan Jiefang West Securities Branch	No. 126, West Jiefang Road, Xingqing District, Yinchuan City	Zhao Zhihao	



No.	Name	Securities Branches Address	Person In Charge	Note
485	Shizuishan Chaoyang West Street Securities Branch	No. 1, Chaoyang West Street, Shizuishan, Ningxia	Chen Guang	
486	Wuzhong Wuling West Road Securities Branch	No. 231 & 233 Wuling West Road, Litong District, Wuzhong City, Ningxia	Song Jie	
487	Zhongwei Gulou East Street Securities Branch	No. 25, 2/F, Block C, National Entrepreneurship City, No. 280 Gulou East Street, Shapotou District, Zhongwei City, Ningxia Hui Autonomous Region	Fan Xiaoning	
488	Urumqi Jiefang North Road Securities Branch	No. 90&112, North Jiefang Road, Tianshan District, Urumqi City	Kong Lingguo	
489	Changji Securities Branch	No. 38, Yan'an North Road, Changji City, Changji, Xinjiang (Block 12, Qiu 2, District 1)	Jiang Yuliang	
490	Hami Zhongshan North Road Securities Branch	No. 17, Zhongshan North Road, Hami City, Hami District, Xinjiang	Zhang Jun	
491	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	
492	Aksu South Avenue Securities Branch	7/F, No. 2 South Avenue, Aksu City, Aksu Prefecture, Xinjiang	Luo Yi	
493	Lhasa Chaoyang Road Securities Branch	No. 2, Chaoyang Road, Taiyang Island, Lhasa City	Li Zexiao	

## APPENDIX II: INFORMATION ON BRANCH OFFICES

Branches	Address		Date of incorporation shown on business license	First date of obtaining licence	Working Capital (RMB)	Telephone
Beijing Branch	5/F, No. 111 Tai Ping Qiao Avenue, Xicheng District, Beijing	Liu Bin	26 July 2011	22 November 2011	5 million	010-58872718
Shanghai Branch	Room 01, 31st Floor, 99 Fucheng Road, China (Shanghai) Pilot Free Trade Zone	Jiang Yuesheng	29 July 2011	29 November 2011	5 million	021-20252657
Zhejiang Branch	28th Floor, Building 3, Fanhai International Center, Jianggan District, Hangzhou, Zhejiang, China	Song Xiaojun	15 July 2011	15 December 2011	5 million	0571-87048157
Ningbo Branch	7/F, No. 6 Daqing South Road, Jiangbei District, Ningbo	Teng Kezhi	12 March 2013	03 May 2013	5 million	0574-87681167
Guangdong Branch	Unit 01-03, 25/F, North Tower, No. 988, Guangzhou Avenue Central, Tianhe District, Guangzhou	Chen Zihui	22 July 2011	22 November 2011	5 million	020-83953833
Shenzhen Branch	20th Floor, Zhongzhou Building, No. 3088 Jintian Road, Futian Street, Futian District, Shenzhen	Zhang Qinghua	21 June 2011	29 November 2011	5 million	0755-82033335
Hunan Branch	No. 275, Section 2, Middle Furong Road, Yuhua District, Changsha	Zou Wenchao	23 August 2011	29 November 2011	5 million	0731-85536911
Tianjin Branch	Room 601-8, No. 3 Kaihua Road, Huayuan Industry Area, Tianjin	Zhong Jihong	11 March 2013	03 May 2013	5 million	022-83830348
Hebei Branch	98 Hongqi Street, West Bridge, Shijiazhuang	Zhao Yongwei	20 March 2013	18 April 2013	5 million	0311-83998683
Shanxi Branch	4/F, West Wing, Yingxi Building, No. 53 Yingze West Avenue, Wanbolin District, Taiyuan	Zhao Songlin	14 March 2013	03 May 2013	5 million	0351-8611197
Inner Mongolia Branch	Huamenshijia, 78 East Xinhua Street, Saihan District, Hohhot, Inner Mongolia	Yao Jianxun	15 March 2013	03 May 2013	5 million	0471-4955414
Dalian Branch	B, C&D, 5/F, East Tower, No. 620 Huanghe Road, Shahekou District, Dalian	Guo Qing	13 March 2013	03 May 2013	5 million	0411-84313089
Liaoning Branch	Unit 17-3, No. 59 Beizhan Road, Shenhe District, Shenyang	Original soldier	27 March 2013	03 May 2013	5 million	024-23250200
Jilin Branch	1161 West Democracy Street, Chaoyang District, Changchun City	Yan Xiaomin	19 March 2013	03 May 2013	5 million	0431-82707737
Heilongjiang Branch	5/F, No. 252, Zhongshan Road, Nangang District, Harbin	Li Naiqi	25 March 2013	03 May 2013	5 million	0451-53905568



<b>Branches</b>	<b>Address</b>		<b>Date of incorporation shown on business license</b>	<b>First date of obtaining licence</b>	<b>Working Capital (RMB)</b>	<b>Telephone</b>
Jiangsu Branch	Room 304, 3/F, Fuxin International Building, No. 359 Hongwu Road, Nanjing	Wang Desheng	13 March 2013	03 May 2013	5 million	025-86507045
Anhui Branch	No. 57 Changjiang Middle Road, Luyang District, Hefei	Chen Xiaoqi	22 March 2013	03 May 2013	5 million	0551-62609271
Fujian Branch	No.1 Shop, 2/F, 1st Building, Fuzhou Jiyou Plaza, No. 39 Fuma Road, Shuibu Subdistrict, Gulou District, Fuzhou	Huang Feilong	02 April 2013	03 May 2013	5 million	0591-83350449
Xiamen Branch	West Wing, 2/F, No.18, Meirenxincun, Siming District, Xiamen	Zhou Lianyuan	21 March 2013	03 May 2013	5 million	0592-2227159
Jiangxi Branch	6/F, No. 203 East Guangchang Road, Nanchang	Jin Zicheng	02 April 2013	03 May 2013	5 million	0791-86283972
Qingdao Branch	No. 100E, Nanjing Road, Shinan District, Qingdao	Liu Xiaoyong	15 April 2013	03 May 2013	5 million	0532-82962152
Shandong Branch	No. 175 Xinnanhe Road, Zhifu District, Yantai	Zhang Huasheng	29 March 2013	03 May 2013	5 million	0535-6626317
Henan Branch	No. 76, Huanghe Road, Jinshui District, Zhengzhou City	Wang Junzhao	04 March 2013	03 May 2013	5 million	0371-63969218
Hubei Branch	Room 1, 2nd Floor, West Podium Building, New Times Business Center, No. 456 Wuyi Road, Wuchang District, Wuhan	Zhang Zhiqiang	12 March 2013	03 May 2013	5 million	027-87841733
Chongqing Branch	3rd Floor, Building B, 108 Minzu Road, Yuzhong District, Chongqing	Cao Yi	18 March 2013	03 May 2013	5 million	023-88128826
Sichuan Branch	Room 401, 4/F, 1st Building, No. 9 Jianshe Road, Chenghua District, Chengdu	Zhang Zhiqiang	21 March 2013	03 May 2013	5 million	028-81148615
Yunan Branch	9/F, Shuncheng East Tower Building, No.11 Dongfeng West Road, Wuhua District, Kunming, Yunan	Wei Yuhong	13 March 2013	03 May 2013	5 million	0871-63645475
Shaanxi Branch	2/F, Commercial Building of China Railway Group, No. 51, East Youyi Road, Beilin District, Xi'an	Liu Yuenian	24 April 2013	15 May 2013	5 million	029-87884455
Qinghai Branch	No.106-26, Changjiang Road, Chengzhong District, Xining	Feng Qing	11 March 2013	03 May 2013	5 million	0971-8261669
Hainan Branch	13/F, Qiongtai Building, No. 83 Binhai Avenue, Longhua District, Haikou, Hainan Province	Wen Yongchun	07 May 2014	28 May 2014	5 million	0898-68500695
Ningxia Branch	No. 126, Jiefang West Street, Xingqing District, Yinchuan, Ningxia	Zhao Zhihao	29 April 2014	28 May 2014	5 million	0951-5051318



<b>Branches</b>	<b>Address</b>		<b>Date of incorporation shown on business license</b>	<b>First date of obtaining licence</b>	<b>Working Capital (RMB)</b>	<b>Telephone</b>
Xinjiang Branch	No. 90, Jiankang Road, Jiefang North Road, Tianshan District, Urumqi, Xinjiang	Kong Linguo	15 May 2014	09 June 2014	5 million	0991-2333505
Guizhou Branch	12th, 13th, 14th, 15th floor, Building 5, Building 5, Guiyang International Finance Center, Lincheng Road, Guanshan Lake District, Guiyang City, Guizhou Province	Shang Chao	22 May 2014	09 June 2014	5 million	0851-7973558
Gansu Branch	408, 4/F, Bi Ke Xin Building, No. 77 Qingyang Road, Chengguan District, Lanzhou, Gansu Province	Zhao Wei	08 May 2014	28 May 2014	5 million	0931-8809210
Tibet Branch	No. 32, 4th Floor, Building 2, Taihe International Cultural Plaza, No. 7 Jinzhu Middle Road, Chengguan District, Lhasa City	Li Zexiao	15 May 2014	09 June 2014	5 million	0891-6344051
Guangxi Branch	3/F, No. 12-2, Yuanhu South Road, Qing Xiu District, Nanning	Huang Jianhua	14 May 2014	05 June 2014	5 million	0771-5858632



For more information, please refer to :

