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

ANNOUNCEMENT ON CHANGES IN ACCOUNTING POLICIES

China Galaxy Securities Co., Ltd. (the “**Company**”) has made corresponding changes to the accounting policies adopted (the “**Changes in Accounting Policies**”) in accordance with the Notice on the Issuance of Interpretation No. 16 of the Accounting Standards for Business Enterprises (Caikuai [2022] No. 31) (the “**ASBE Interpretation No. 16**” or the “**Interpretation**”) newly promulgated by the Ministry of Finance of the People's Republic of China (the “**MOF**”). The Changes in Accounting Policies will not have a material impact on the financial position, operating results and cash flows of the Company.

I. SUMMARY OF THE CHANGES IN ACCOUNTING POLICIES

On 30 November 2022, the MOF promulgated the ASBE Interpretation No. 16, clarifying the “accounting treatment that exemption from initial recognition does not apply to deferred income tax associated with assets and liabilities arising from a single transaction”, which took effect from 1 January 2023.

Prior to the Changes in Accounting Policies, the Company implemented the “Accounting Standards for Business Enterprises – Basic Standards” and various specific accounting standards, application guidance and interpretations announcements to the Accounting Standards for Business Enterprises and other related regulations as issued by the MOF.

Subsequent to the Changes in Accounting Policies, the Company has implemented the above new requirement. For any part that remains unchanged, the original “Accounting Standards for Business Enterprises – Basic Standards” and various specific accounting standards, application guidance and interpretations announcements to the Accounting Standards for Business Enterprises and other related regulations will continue to apply.

II. DETAILS OF THE CHANGES IN ACCOUNTING POLICIES AND THEIR IMPACT ON THE COMPANY

(1) Details of the Changes in Accounting Policies

According to the provisions of the ASBE Interpretation No. 16 “accounting treatment that exemption from initial recognition does not apply to deferred income tax associated with assets and liabilities arising from a single transaction”, the provisions of Articles 11(2) and 13 of the Accounting Standards for Business Enterprises No. 18 – Income Tax in relation to exemption from initial recognition of deferred income tax liabilities and deferred income tax assets do not apply to single transactions that are not business combinations and do not affect either accounting profit or taxable income (or deductible losses) at the time of the transactions, nor do such provisions apply to single transactions whose assets and liabilities initially recognized result in taxable temporary differences and deductible temporary differences of equal amounts. For the taxable temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities of the transactions, the enterprise shall respectively recognize the corresponding deferred income tax liabilities and deferred income tax assets upon the occurrence of the transactions in accordance with the relevant provisions of the Accounting Standards for Business Enterprises No. 18 – Income Tax and other relevant regulations.

(2) Material impact of the Changes in Accounting Policies on the financial statements of the Company

The Changes in Accounting Policies are the reasonable changes made by the Company according to the relevant requirements of the ASBE Interpretation No. 16 newly promulgated by the MOF, which can reflect the financial conditions and operating results of the Company in a more objective and fair manner. The changes will not have a material impact on the financial conditions, operating results and cash flows of the Company nor cause harm to the interests of the Company and its shareholders as a whole.

By order of the Board
China Galaxy Securities Co., Ltd.
CHEN Liang
Chairman and Executive Director

Beijing, the PRC
27 April 2023

As at the date of this announcement, the executive directors of the Company are Mr. CHEN Liang (Chairman) and Mr. WANG Sheng (Vice Chairman and President); the non-executive directors are Mr. YANG Tijun, Ms. LI Hui, Ms. LIU Chang, Mr. LIU Zhihong and Mr. JIANG Yuesheng; and the independent non-executive directors are Mr. LIU Ruizhong, Mr. WANG Zhenjun, Ms. LIU Chun and Mr. LAW Cheuk Kin Stephen.