



2017年社會責任報告

環境 | 社會 | 管治

Environmental,
Social and Governance Report

 中国银河证券股份有限公司 | CGS



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2017 Social Responsibility Report (Environmental, Social and Governance Report)

Notes on Preparation of the Report

This report introduces the activities and performance of China Galaxy Securities Co., Ltd. (the “Company” or “Galaxy Securities”) and all of its subsidiaries in respect of social responsibility matters for 2017, and the disclosure of this report is as follows:

Reporting Period

The Social Responsibility Report of the Company is issued annually. The reporting period is from 1 January 2017 to 31 December 2017 with appropriately retrospective and prospective aspects.

Reporting Scope

This report takes China Galaxy Securities Co., Ltd. as the main body, and its disclosure scope is consistent with the 2017 Annual Report of China Galaxy Securities Co., Ltd. (the “Annual Report”), covering Galaxy Securities and its 5 subsidiaries.

Reporting Language

This report is written by the Company in Chinese and English versions. In case of any inconsistency or conflict between the Chinese version and the English version, the Chinese version shall prevail.

Reporting Guidelines

This report has been prepared in accordance with Appendix 27 “Environmental, Social and Governance Reporting Guide” to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with reference to Sustainability Reporting Guidelines (G4) issued by Global Reporting Initiative (GRI) and Supplementary Guidelines of Financial Industry, the Notice on Strengthening the Listed Companies’ Assumption of Social Responsibility and Publishing the Guidelines on Disclosing Environmental Information of Companies Listed on the Shanghai Stock Exchange, the Guidelines on Disclosing Environmental Information of Companies Listed on the Shanghai Stock Exchange, and Appendix 2 “Guidelines on the Preparation of Corporate Social Responsibility Report” contained in Memorandum No. 1 for the Reporting Work by Listed Companies for 2009 issued by the Shanghai Stock Exchange (the “SSE”). During the Reporting Period, the Group had complied with the “comply or explain” provisions set out in Appendix 27 “Environmental, Social and Governance Reporting Guide” to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Notes on Reporting Information

The financial information in this report is extracted from the audited annual report of the Company, and other information is sourced from the internal systems of the Company or manual processing. Unless otherwise indicated, Renminbi is the denomination currency for the monetary type and amounts in this report.

Reporting Assurance

This report has been taken an independent assurance engagement by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

Confirmation and Approval of the Report

The contents and data disclosed in this report have been considered and approved by the board of directors of the Company.

Release of the Report

The pdf and printed versions of this report are available. The pdf file is published at: the HKEXnews website of the Stock Exchange (<http://www.hkexnews.hk>); the website of the SSE (<http://www.sse.com.cn>); the website of the Company (<http://www.chinastock.com.cn>).

Chairman's Statement



For China, 2017 was the critical period for the final stage of establishing a prosperous society and entering into a new era of socialism with Chinese characteristics, and an important year for the comprehensive work deployment of every aspect of economy, politics, culture, society and ecology in China. For Galaxy Securities, it was the first year of the listing of its A shares, the first year of its three-year strategic transformation and the tenth year of its restructuring.

In 2017, we accelerated our internal strategic adjustment and promoted the transformation and development. Adhering to the new development concept and according to the requirement by General Secretary Xi Jinping that financial services shall be oriented to individual investors and enterprises, we reviewed the situation and correctly deal with major relationships under development. Under the “strict supervision and intense competition” in the industry, we promptly proposed the transformation of business



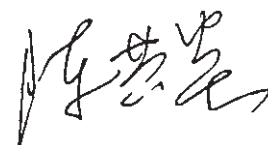
model towards “Dual-wheel Drive and Coordinated Development”, considering “wealth management” and “investment banking” as the two wheels to drive the transformation and development of the Company. At the same time, we strengthened the all-round coordination mechanism to promote the Company’s sustained, healthy and orderly development. Our wealth management business focuses on the supply-side reform of financial products and strives to resolve the conflict between the unbalanced, insufficient supply of financial products and the growing demand from customers for financial services. Corresponding to the request of returning to the origin of the securities industry, our investment bank business expands its business functions primarily on serving the real economy, increasing direct financing and optimizing resource allocation. This is not only a political and social responsibility of a state-owned financial institution, but also a willing choice to shoulder the historical mission of national development.

In 2017, we took a solid step for overseas business. Galaxy International, as the acquirer, has made significant progress in the acquisition of the securities business of the CIMB Group (“CIMB”) in Malaysia. The acquisition targets include securities brokerage, futures, research and other equity-related businesses under CIMB located in Malaysia, Singapore, Thailand, Indonesia, Hong Kong, South Korea, India, United Kingdom and United States. On 6 June 2017, Galaxy International and CIMB Group entered into a sale and purchase agreement for the shares of the Singapore Company in Beijing. The first completion of the transaction took place on 18 January 2018. This effectively enhanced the capacity of Galaxy Securities to provide service to the construction of “Belt and Road” countries and the Greater Bay Area.

In 2017, we also reinforced our efforts on poverty alleviation. In response to the Party and the State’s call to regard poverty alleviation as an important political task and social responsibility, the Company entered into framework agreements on targeted poverty alleviation with Jingning County in Gansu Province, Linxi County in Inner Mongolia Autonomous Region, Daozhen County in Guizhou, Hetian County in Xinjiang Uygur Autonomous Region and Zuoquan County in Shanxi. The Company signed an agreement to donate a photovoltaic power station program at village level to Xixian County, Shanxi Province, and also provided follow-up donations to Xinjiang Hetian Tasimiqi Village Galaxy Primary and Secondary Schools, Guizhou Shibing County Bingxi Galaxy Hope Primary School and Arxan Galaxy Primary School, totaling approximately RMB36 million. Up to now, Galaxy Securities has helped five targeted national-level poverty-stricken counties and funded seven Galaxy Primary Schools.

Our mission is a call to action. Our commitment to social responsibility is inborn, and the fulfilment of social responsibility has already been integrated into our management and corporate culture.

In 2018, under the guidance of the socialist ideology with Chinese characteristics in the new era of Xi Jinping, we will resolutely implement the spirit of the 19th Congress and the deployment of the 2017 Central Economic Work Conference, the National Financial Work Conference and the Party Construction Work Conference of State-owned Enterprises. With serving the real economy as the starting point and foothold, we will strive to improve our core competitiveness from various aspects such as improving mechanisms, integrating resources and making up for the shortcomings, implement the industry regulatory requirements and return to the origin of securities business. By coordinating our own development with social responsibilities, we are able to make greater accomplishments and bear more responsibilities in promoting the sustainable development of the economy, the environment, society and the Company.



Chen Gongyan
Chairman

28 March 2018

ABOUT US

Company Profile

Galaxy Securities is a leading integrated financial services provider in the PRC securities industry. It and its subsidiaries provide comprehensive securities services, including brokerage, sales and trading, investment banking and investment management. On 26 January 2007, with the approval of China Securities Regulatory Commission (the “CSRC”), the Company was established by China Galaxy Financial Holdings Company Limited (中國銀河金融控股有限責任公司), as the principal promoter, together with four domestic institutional investors.

On 22 May 2013, the H shares of the Company became listed on the Stock Exchange (with stock short name of “CGS” and stock code of “06881”). Up to 13 June 2013 when the over-allotment option was exercised in full, a total of 1,606,604,500 H shares were issued. On 5 May 2015, the Company issued 2 billion H shares through placing. In January 2017, the Company issued 600 million A shares through initial public offering, which became listed on the SSE on 23 January 2017 (with stock short name of “CGS” and stock code of “601881”).

Its scope of business is: securities brokerage; securities investment consulting; financial consulting relating to securities trading and securities investment; securities underwriting and sponsorship; proprietary securities trading; margin financing and securities lending; distribution of securities investment funds; provision of intermediary services to Galaxy Futures Broker Company; distribution of financial products; securities investment fund custodian business; insurance agency business; sale of precious metal products; other businesses approved by the CSRC.

Currently, the Company has four wholly-owned subsidiaries, being Galaxy Capital Management Company Limited (銀河創新資本管理有限公司), China Galaxy International Financial Holdings Company Limited (中國銀河國際金融控股有限公司) (the “Galaxy International”), Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金匯證券資產管理有限公司) and Galaxy Yuanhui Investment Co., Ltd. (銀河源匯投資有限公司); and a non-wholly-owned subsidiary, being Galaxy Futures Company Limited (銀河期貨有限公司) (the “Galaxy Futures”).

As at 31 December 2017, the Company had a total of 470 securities branches in mainland China.

Upon listing on the Hong Kong Stock Exchange, the Company was successively included in the FTSE All-World Index, the FTSE All-Emerging Index, the FTSE China (HK Listed) Index, as well as the Hang Seng China H-Financials Index, the Hang Seng Global Composite Index, the Hang Seng Composite Index, the Hang Seng Composite Industry Index-Financials and the Hang Seng Composite MidCap Index among the Hang Seng Index Series.

Responsibility strategy

Galaxy Securities considers its social responsibility at the corporate strategic level, and it reviews matters on fulfilment of its social responsibilities from the perspective of meeting corporate strategy. On the one hand, it leverages fully on its corporate resources and capabilities in fulfilling its social responsibilities to better do so. On the other hand, it makes the social responsibility to play a role in the strategic development of the Company and thus promote the stable development of the Company in long-term.

Social responsibility planning is closely integrated with the overall development strategy. Galaxy Securities fully understands its own resources and traits, and choose the fields with which it is relatively familiar, at which it is good and of which it has advantage to fulfil its social responsibilities. At the same time, the Company pays attention to leverage on the guiding role of overall development strategy in the social responsibility planning so that the social responsibility planning can be organically integrated with the overall development strategy of the Company in its overall development strategy framework.

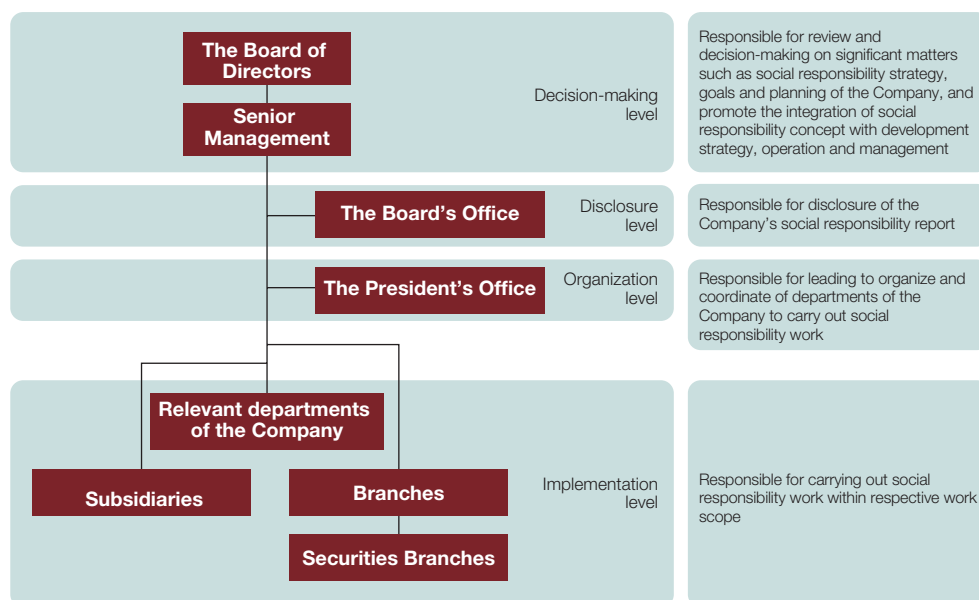
Establishing the corresponding supporting mechanism to fulfil the social responsibility. In order to effectively implement the social responsibility work, the Company has set up a series of safeguard mechanisms ranging from decision-making of senior management to implementation of mid-level management and daily communication and coordination. The implementation of social responsibility planning, as an important part of the Company's overall development strategy implementation, has received great attention from all levels of the company.

Integrating the social responsibility into the Company's strategic management system. Galaxy Securities closely monitors the changes in the competitive environment in which the Company operates, remains sensitive and forward-looking, keeps abreast of social needs, continuously identifies areas in which social responsibility is needed to be fulfilled, and optimize methods to fulfil social responsibility.

Responsibility system

In 2017, Galaxy Securities further determined the top-down management model of social responsibility, including the board of directors, senior management, departments of the Company, branches and subsidiaries, and established its social responsibility management system in accordance with the "Environmental, Social and Governance Reporting Guide" issued by the Stock Exchange by reference to Sustainability Reporting Guidelines (G4) issued by Global Reporting Initiative (GRI). Under the leadership of the board of directors, it has implemented the social responsibility work to its departments and improved the mechanism of communications with stakeholders.

Social Responsibility Management Model of Galaxy Securities



Responsibility communication

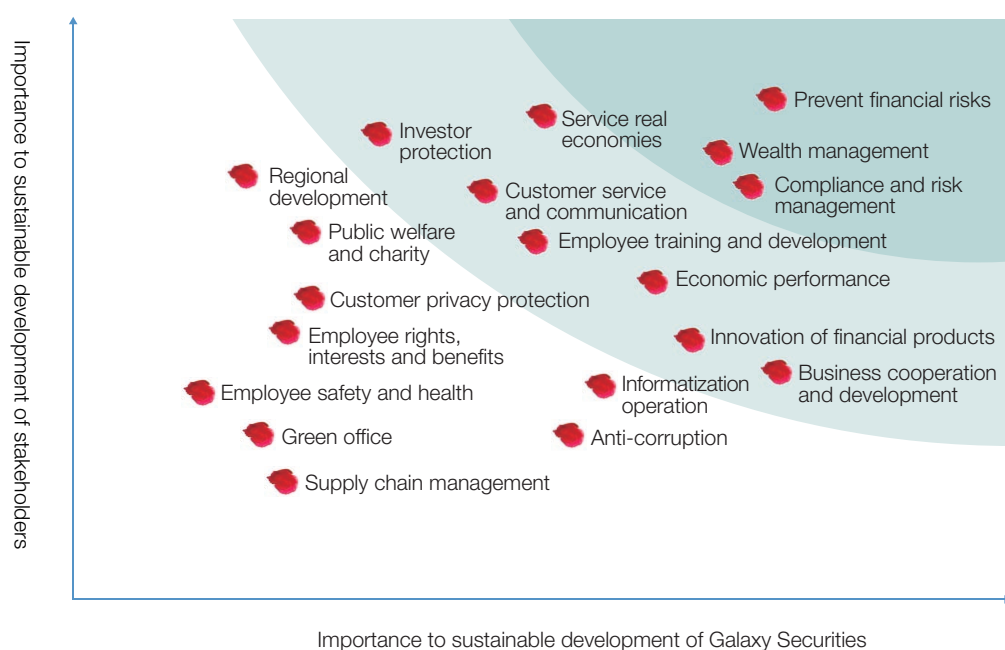
Communicating with stakeholders is an important link of Galaxy Securities in its social responsibility management. The Company actively communicates with stakeholders through various channels to understand the demands of stakeholders and actively respond them by actions.

	Expectations	Communication methods	Responses
Customer	Provide innovative, diversified financial products	Official website, public number and other media channels	Provide convenient, fast financial services
	Provide complete, true and accurate product service information	Customer hotline communication	Improve the complaint handling process, understand customer comments and suggestions
	Protect customer privacy	Customer demand research	Timely release products and marketing announcements
	Enhance customer experience	Customer feedback	Provide a wide range of products
	Provide convenient business outlets	Communicating at business outlets	Set up convenient business outlets

	Expectations	Communication methods	Responses
Employee	Equal, diversified employment treatment	Employee representative meeting	Improve staff recruitment, promotion and other internal management systems
	Enjoy legal remuneration and benefits	Galaxy network school	Provide good salaries and benefits
	Provide good working environment and training opportunities	Internal network, email, forum	Respect the rights and interests of employees, treat each employee equally
	Provide a good room for growth	Internal meeting	Provide a wide range of job skills training
	To provide a variety of staff work and life safeguard	Internal publications of corporate	Organize extensive employee activities
Shareholder	Regulate corporate governance	Shareholders' general meeting	Improve internal compliance system
	Improve shareholder returns	Regular reports and company announcements	Formulate and implement development strategy
	Enhance the Company's value	Road shows and other information release channels	Establish regular information disclosure system
	Maintain sustainable development	Investor research and other activities	Enhance the business diversification standards and consolidate the leading position in the industry
Society	Support social development	On-site investigation and visit	Carry out public welfare activities
	Environmental protection	Charitable activities	Implementation of poverty alleviation projects
	To carry out charitable activities	feedback investigation of beneficiary groups	Carry out employee volunteer activities
	Popularize financial knowledge	Investor education activities	Carry out investor education activities
Government	Abide by the national laws and regulations industry standards and other norms	Laws and regulations, policy guidelines, normative documents	Observe laws and regulations
	Maintain financial market stability	On-site investigation, off-site supervision	support national strategies and development of local undertakings by financial instruments
	Support implementation of national strategy	Visit the government where the operation is located	Compliance operations, to resolve social and financial risks
	Drive local and surrounding industrial development	Government meeting	Provide employment positions, pay taxes by law
	Provide employment opportunity	Official website, recruitment announcements released by media	Regular or irregular recruitment
Regulator	Healthy business operations	report at regular communication meetings	Improve operation efficiency of corporate
	Publicly transparent information disclosure	Regular reports and company announcements	Timely and accurately disclose information
	Improved internal control system and risk management system	Regulatory notification and rating	Establish a comprehensive internal control system to enhance corporate governance standard
Partner	Promote healthy development of the industry	cooperation, communication and research between peer companies	Participate in promoting industry standards and norms
	Comply with business ethics	Industry association	Establish and improve an internal management mechanism
	Mutual benefit and win-win and common development	Official website, public number and other media communication	Establish a stable communication and cooperation mechanism

Identification of critical issues

In order to systematically identify the key points of corporate social responsibility management, in accordance with its corporate development strategy and national strategy with reference to the key points of social responsibility management of financial enterprises both at home and abroad, and the development trend of the financial industry, Galaxy Securities has made its judgment on the significance level of all issues of social responsibility based on understanding of communications and demands of various executive departments with stakeholders in work from the perspective of sustainable development of the Company and its stakeholders, and draw up the matrix of significance of social responsibilities of Galaxy Securities for 2017 as a basis for selection of contents in this report and a basis for the Company to carry out subsequent social responsibility related work.



Customer first and intensifying financial services

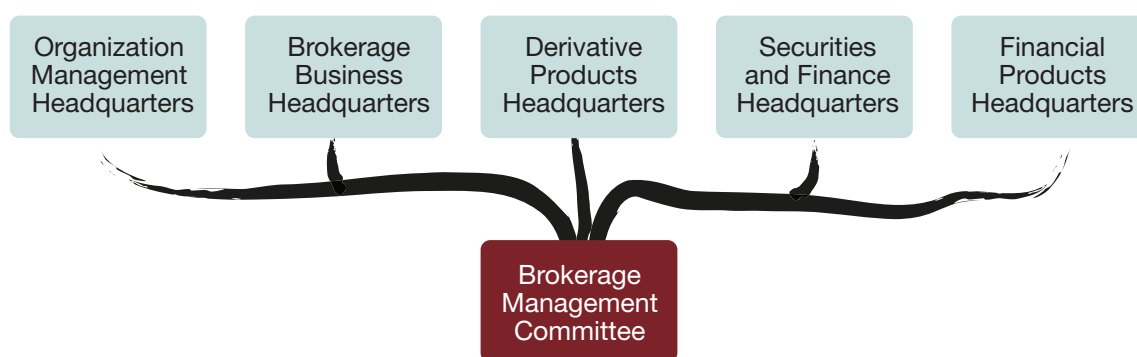
It is a fundamental element of Galaxy Securities to provide high-quality financial services to investment and financing clients in the capital market. Galaxy Securities adheres to the new concept of development to handle correctly the material development relations in accordance with the national financial requirements providing services with resident investors and enterprises. Galaxy Securities has further intensified financial services by optimizing the business structure, improving service quality, responding to customer feedback, diversifying service means, extending service areas, protecting the rights and interests of investors, serving real economies and other aspects.

Optimization of business structure

In 2017, in order to adapt to the situation of “strict supervision and strong competition” in the industry, Galaxy Securities conducted in-depth investigations and studies, comprehensively analysed the development trend of the securities industry, adhered to the strategic target of “building a carrier securities broker and a modern investment bank”, evaluated the current environment and situation, timely adjusted the business development mode and supporting management mechanism. Galaxy Securities made its transformation to the business mode of “double-wheel driving, coordinating development”, changed thoroughly its business idea and thinking mode which are compatible with its strategic objectives. Galaxy Securities has taken the “wealth management” and “investment banking” as the two wheels of its transformation development, and at the same time it enhanced the all-round coordination mechanism to continuously promote the healthy and orderly development of the Company.

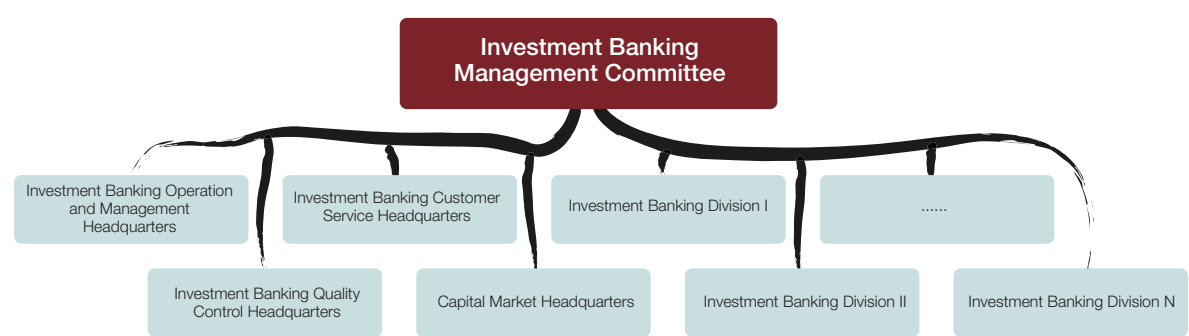
In 2017, in order to provide more accurate services to all stakeholders, Galaxy Securities determined the development direction of the large brokerage business of transforming and upgrading to comprehensive wealth management services from channel services. Galaxy Securities realized the change of the “one-way business” to “two-way business”, “single business” to “multiple businesses” by taking “product-transaction-service” as the core driving force, “pipeline – platform” interconnection as a key way, and “customer stratification-product classification” as the main mean.

The organizational structure of brokerage business line of Galaxy Securities



In 2017, Galaxy Securities implemented an all-round reform of the investment banking business system. It made the development direction of “serving the national strategy, serving real economies, and serving the transformation development of the Company” and the general thinking of “providing quality and professional services for full industrial chain of investment and financing to the capital market, taking the support of improving fully the capacity of servicing real economies as the goal, rationalizing the system and mechanism, implementing the centralization management of investment banking business lines, establishing the evaluation system and performance incentive mechanism that is suitable with the new mechanism, establishing the information and resource sharing mechanism, fully implementing business coordination, enhancing the professional and comprehensive service capabilities in the investment banking, increasing the efficiency of value-added services and promoting formation of the brand with core competitiveness.” It fully integrated the supply-side reform, mixed reform, debt-to-equity swap, clearing out of zombie enterprises and the Belt and Road financing, innovation and entrepreneurship, the industrial poverty alleviation into the investment banking service area.

The organizational structure of investment banking business line of Galaxy Securities



Improvement of service quality

Customers of Galaxy Securities are derived mainly from brokerage business and investment banking business. In 2017, the Company continued to deepen its unified brokerage business management and service system and set up an investment banking customer service headquarters. Through independent and careful management of customer service, the Company further increased customer communication and attention, and timely responded to customer needs so as to improve and enhance its service quality.

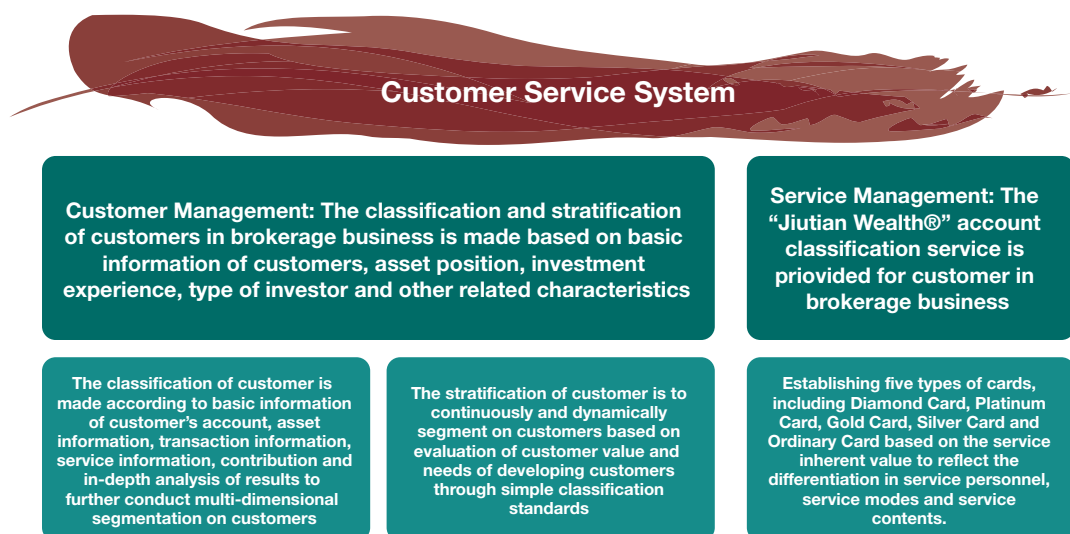
The customer management and service system of the Company for its brokerage business customer management and service system is adhered to meeting customer value as the centre, being oriented by customer needs, taking staff as a carrier to standardize the customer service organization system for brokerage business, customer management, customer service staff management, customer service product management, customer service standards and performance evaluation of customer service. Through advanced technology and means, Galaxy Securities provided professional services to customers, established and maintained a good customer relationship and enhanced customer satisfaction.

The customer service for brokerage business has followed the five basic principles including the value promotion each other, integration of standardization with differentiation, demand-oriented, suitability and compliance.

Basic Principles of Customer Services of Galaxy Securities

Value promotion each other	<ul style="list-style-type: none">Under the premise of ensuring the common growth of customer value, corporate value and staff values, ensure that the three parties' values complement and promote each other.
Integration of standardization with differentiation	<ul style="list-style-type: none">While being in line with service standard requirements, objectively and comprehensively understanding customers, we carried out the customer services based on the targeted use of different service contents and service methods, achieved service standardization, professionalization and diversification.
Demand-oriented	<ul style="list-style-type: none">Taking customer value as the centre, customer needs as the orientation and customer satisfaction as the goal, we determine the objective and direction for customer service, and select the realistic customer service strategy
Suitability	<ul style="list-style-type: none">Under the premise of the scientific and reasonable stratification and classification of customers, we fully assess the risks involved, allocate products or services portfolio with different risk levels, different income levels and different durations for customers, introduce suitable products or services in an appropriate way to suitable customers, and guide customers to choose investment strategies and investment products which are suitable for their own characteristics.
Compliance	<ul style="list-style-type: none">Subject to compliance, in compliance with laws, regulations, rules and other normative documents, industry standards and self-regulatory rules and the industry recognized and generally accepted professional ethics and industry principals, we carry out various business activities by law and regulation.

Customer Service System of Galaxy Securities



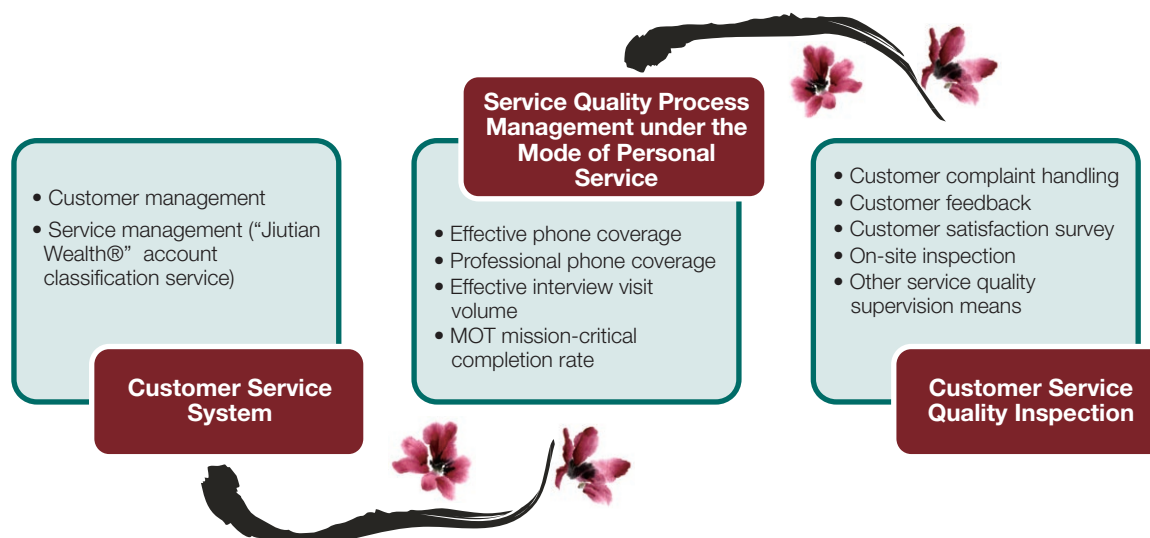
In 2017, Galaxy Securities enhanced the professional service quality for investment advisory to customers in brokerage business through various measures:

Immediate delivery of core views. The core views are sent through the Company’s main WeChat public number “Galaxy Securities”, “Galaxy Finance”, “Galaxy Securities Services”, the amount of reading for some online push was more than 100,000, and the feedback in the message area were active and positive.

Focusing on allocation of major asset allocation and strategic research of A-share, and diversifying the professional services for customers. In 2017, we launched 4 types of information products, including allocation of major assets, margin financing and securities lending strategy, industry monthly report and hot topic investment. In 2017, we released an aggregation of 5 manuals for investment of major assets, 6 semi-monthly strategy reports, 6 trading strategies for both of margin financing and securities lending and 3 investment hot spots. We accurately grasped the market trend, reminded the opportunities and risks at a critical time to complement and perfect the Company’s information products by high quality research.

Interpreting market hot spots, strengthening high-end on-site service for customers. In April and August 2017, we started the two rounds of service boom by grasping the two opportunities of “Strategy of Xiong’an New Area” and the “Shanghai Composite Index breaking 3300 points”. As of the end of 2017, 39 seminars for investment strategy were held with 56 person-time speeches and serving about 8,300 high-end customers.

Customer Service Management of Galaxy Securities





Case: “Jiutian Wealth®” account classification service system

“Jiutian Wealth®” account classification service system provides three service models including self-service, personal service and integrated wealth management service to customers.

Integrated wealth management service

- Branches provide regular services;
- The Company provides comprehensive services such as corporate-level investment and financing management, market value management, and high-end value-added channel business.



Personal service

- The branches designated the service personnel to provide personal services according to the service means and service products to the corresponding accounts.



Self-service

- Various free service means and products provided by call center representatives, computer trading terminals, mobile phone users.

In order to adapt to the development of investment banking under the new situation and based on the Company's adjustment of investment banking business lines, in 2017, Galaxy Securities newly established the investment banking customer service headquarters so as to provide support in centrally managing investment banking clients and maintaining research support for various customer relationships, value-added services, product development and management of continuous supervision matters. The investment bank customer service headquarters participated in the seminars held by China Investment Corporation on Sino-US business and investment and introduced enterprises to attend, providing existing customers with investment and financing demand development services. Galaxy Securities has established strategic cooperative relations with some local governments to provide various investment banking services to local state-owned enterprises for implementing the spirit of the Central Party Committee and State Council and for carrying out comprehensive innovation and reform, which was well recognized by local governments and enterprises, and thus enhanced the Company's ability to serve real economies.



Case: Promotion of Comprehensive Risk Management Consultancy Mode by Galaxy Futures

Galaxy Futures provided diversified and personalized risk management tools and solutions for both business entities and financial institutions. It is committed to building an industry-leading business innovation platform and integrated financial service platform to promote a comprehensive risk management consultancy model.

Galaxy Futures provided professional industry research reports and research and development services for various futures to corporate clients. It provided investment strategies based on industry research and integrated customized training courses. Through in-depth contact with enterprises, based on the actual condition of enterprise, Galaxy Futures customized the risk hedging solution for enterprises and provided a full range of consultancy services in enterprise hedging, research, trading, IT and financial aspect.

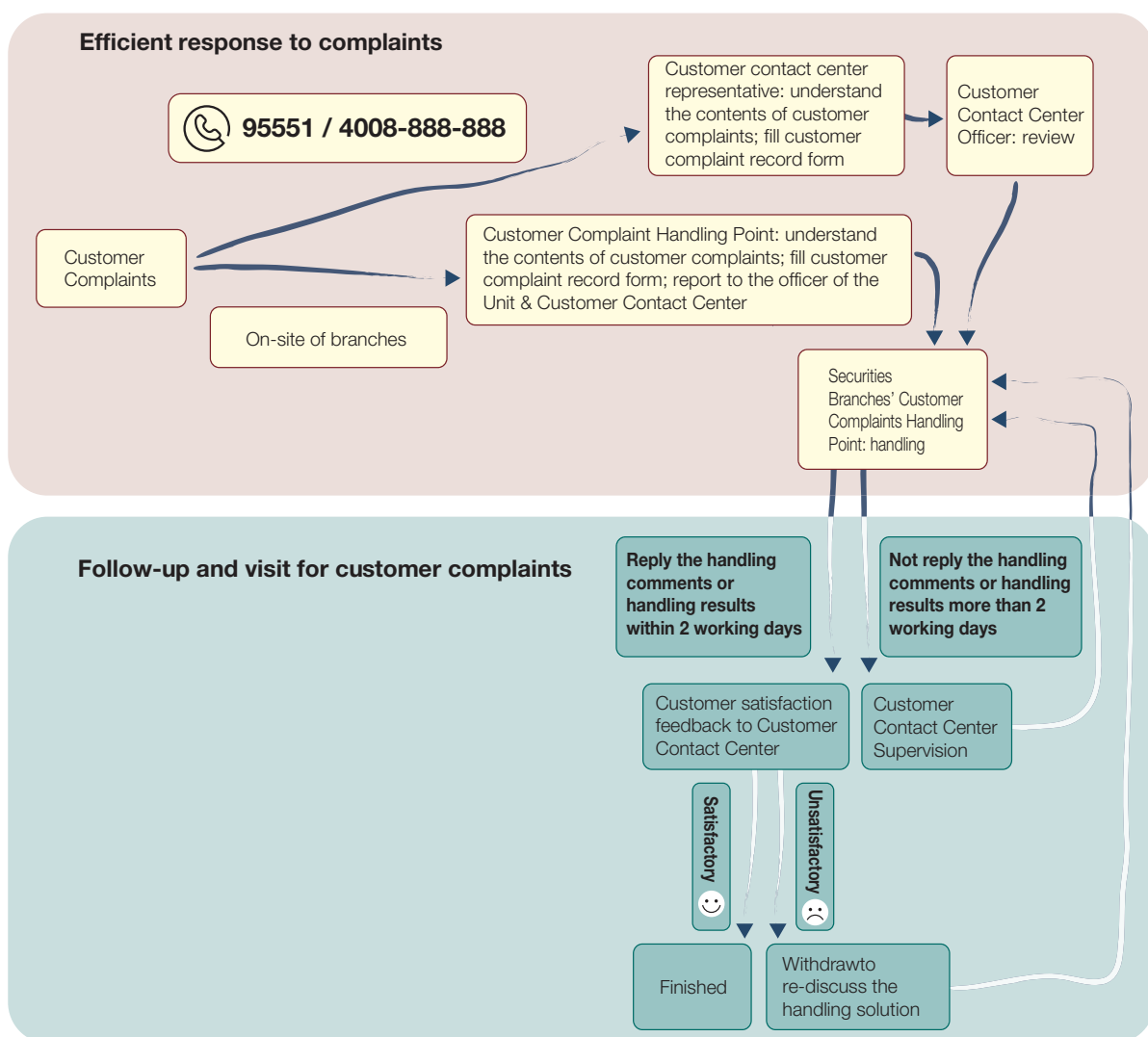
For private institution clients, Galaxy Futures applied the up-to-date industrial information and data to conduct an in-depth analysis of industry supply and demand structure. Galaxy Futures held the industry meetings and salons on a regular basis to lead the customer and industry experts to enter into the in-depth communication. It led its core customers to visit business entities for industry investigation and research from time to time. The regular industry high-end meetings were held at which industry experts, macro scholars and representatives of advanced enterprises were invited to conduct in-depth communications with clients to create opportunities for clients to exchange ideas with elites in the industry.

Respond to customer feedback

Galaxy Securities regards customer feedback as an important part of maintaining good communication with its customers. The customer base with the largest number of the Company is the brokerage business customers, in which are mostly individual investors. In order to ensure that such customer base can communicate smoothly channels, the Company set up a leading group and working group for customer complaint handling to coordinate and manage complaints from brokers business clients. The related departments carried out division of responsibilities: Customer Contact Center was responsible for receipt, distribution, coordination, tracking, supervision, feedback, visit, aggregation, reporting and filing of customer complaints; each of securities branches were responsible for receipt, investigation, handling, feedback, reporting and filing of customer complaints. The most of customer complaints to the Company is made by telephone.

Galaxy Securities also actively assumed the primary responsibility of mediating and dealing with conflicts and disputes for investors to make efforts to perform well the special compensation work for investors. From 19 June to 28 July 2017, the Company worked in initiating the priority claim arrangement for the "Xintai Electric" fraud issue with the sponsor and leading underwriter for "Xintai Electric" initial public offering and its listing. It completed the selection of the qualified investors in corporate clients, and communicated with each client one by one to accept the claim willingness and related terms, the completion rate was 96.24% in making the qualified investors to accept the compensation.

Division of Responsibility for Client Complaints of Galaxy Securities



Rectification and implementation for customer complaints

For the complaints which a securities branch shall assume responsibility, the Company requested the securities branch to take into account of those complaints in its annual performance evaluation while carrying out the implementation and rectification.

Customer Satisfaction of Galaxy Securities for 2017

Indicators	2017	Unit (%)
Return visit satisfaction	General existing clients	81.47
	Clients for margin financing and securities lending	96.05
Satisfaction evaluation by telephone for customer satisfaction	Satisfactory	90.81
	Normal	2.20
	Unsatisfactory	7.14

Case: Galaxy International improved the call center to provide the high-quality service for customers at the quickest time

In many customer relationship communication channels, the call center can provide the high-quality customer service for customers at the quickest time. In order to significantly improve customer service standard and quality, Galaxy International is mainly engaged in providing “three services”: firstly, studying peer service standard and improving the weaknesses in services; secondly, listening carefully to customer needs and understanding customers’ risk tolerance, describing customers to solve issues or identifying suitable financial products for customers; thirdly, strengthening customer advisory services management, self-improving professional knowledge level of individual/team, describing customers to avoid risks.

Case: Galaxy Futures handled business consulting and complaints from customers through various means

Since the implementation of the Securities and Futures Investors’ Appropriateness Management Measures (《證券期貨投資者適當性管理辦法》) since 1 July 2017, Galaxy Futures has officially launched the APP for on-line appropriateness assessment on 25 August 2017, so as to make new and existing customers to complete conveniently their appropriateness assessment to enhance customer experience.

For customers who can’t deal with their business in person at business site, Galaxy Futures provided guidance and handle business at customers’ home subject to compliance. In order to enhance the customer experience in the process of opening an account online, a private network is used to ensure the smooth running of network. Galaxy Futures has handled customers’ business consulting and complaints through 400 phones to customer services, TQ online and other ways; and it also has provided the hotline for major clients to answer their business consulting; it has provided the VIP channel access for key customers in business handling subject to compliance.

Expanding service channels

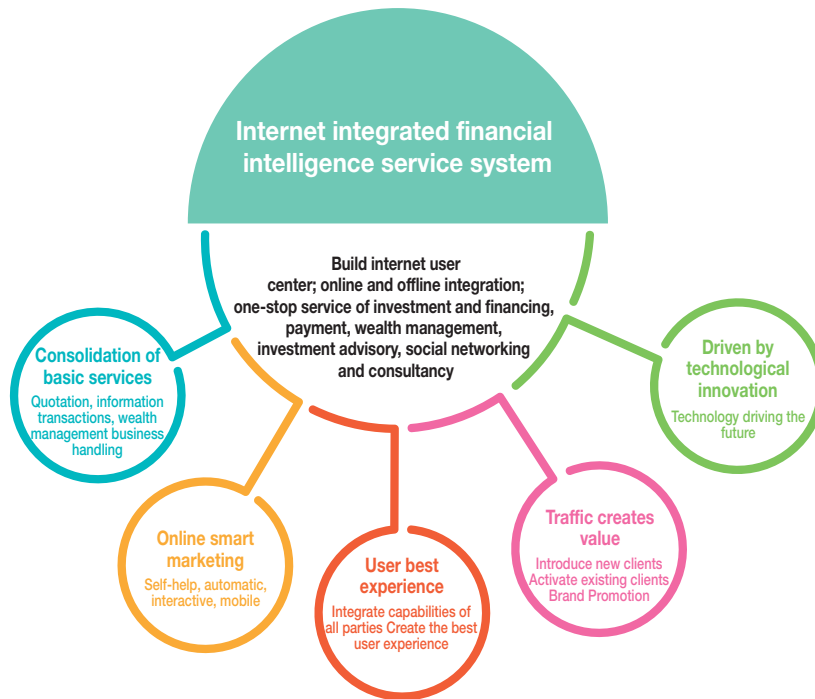
With the continuous accumulation of the social wealth and the increasing awareness of residents in financial investment and wealth management, financial products are becoming an investment choice for more and more residents. As compared with other investment areas, the capital market is bearing the general public's vision of a better life and is increasingly becoming an important pipeline for value preservation and increment of residents' wealth.

Galaxy Securities catered for customer needs, providing customers with various trading tools, customers can complete a transaction through the internet, mobile terminals (including mobile phones, tablet PCs, etc.), telephone, counter and outlets trading terminals and other means. The Company has established a well-structured 16 online trading mirror websites in 12 cities nationwide, which is able to support millions of customers to use online at the same time. In addition, the Company also provided better services to high-end customers by setting up the fast transaction system and quantitative trading system for VIP clients.

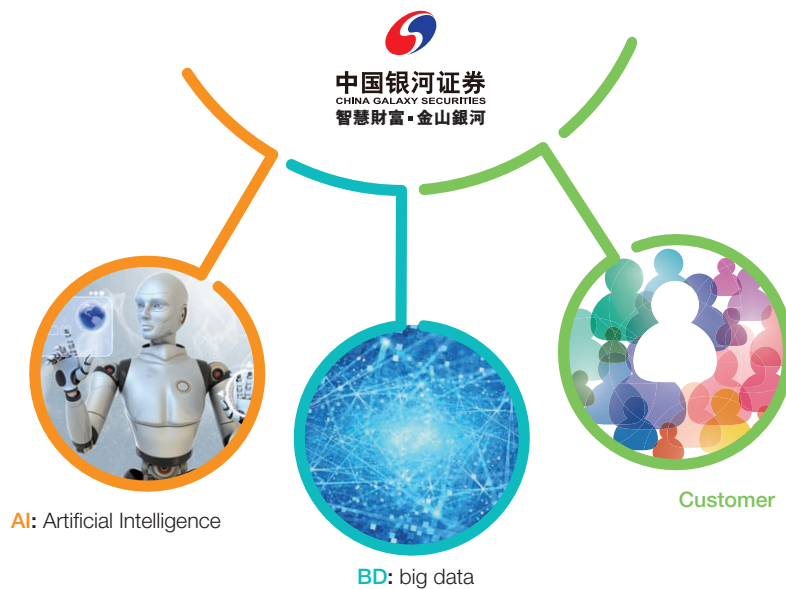
Galaxy Securities is committed to improve continuously customer experience, diversify products suitable for internet marketing, and provide the comprehensive financial services with characteristics of the Company and meeting individualized needs, through innovations in products, channels, services and marketing by applying the internet operating service concept.

In 2017, the proportion of off-site transactions for investors (including individual, institutional and product investors) of Galaxy Securities exceeded 98.85%, of which 61% were for online transactions. Of the newly signed individual investors in 2017, 92.78%¹ of the clients opened their accounts online.

¹ The proportion of the number of online accounts to the number of new contracts excluding the number of deregistered accounts.



At present, Galaxy Securities is promoting the financial application of new technologies represented by AI (Artificial Intelligence) + BD (Big Data). Galaxy Securities is taking its customers as the center to build the “Intelligent Galaxy” system in different aspects such as big data-driven marketing, intelligent customer service, and intelligent investment advisory and intelligent information. At this stage, the related work of the “User Center”, “Product Center” and “Operation Center” is being promoted.



Case: Current Online APP of Galaxy Securities



“China Galaxy Securities” APP is a new generation of intelligent stock trading and wealth management platform newly established by Galaxy Securities, covering the functions of panoramic quotation, smart trading, selected wealth management – preferred wealth management, asset panorama, wealth calendar, online customer services, account services, business management and other aspects. While actively enhancing the fast and safety, this new platform applied completely the scene-oriented business design concept, achieving a new experience of one-stop professional, intelligent stock trading, investment and wealth management to facilitate investors’ rapid growth of wealth.

The main featured functions of “China Galaxy Securities” included:

- Provide the professional portfolio information on stocks, funds, bonds and indices;
- Instant linkage between panoramic quotations of individual stocks, profit or loss of positions, associated stocks and segments;
- Selected wealth management – preferred wealth management, funding scale, gray list, stock base big data and other exclusive columns;
- Price monitoring assistant, single-and multi-dimensional smart trading strategies;
- Asset panorama and wealth calendar showing the full picture of the investment and returns of the account;
- Opinions, portfolio and talents introduced by Galaxy investment advisors;
- Quick order placing and trading point marking;
- Quickly capture investment hot spots by Galaxy’s selected information.

Extension of service coverage

In order to provide more convenient and accurate financial services in more regions and establish efficient channels in communication with its stakeholders to serve more extensive customer base, Galaxy Securities established 110 new securities branches² nationwide in 2017 with a total of 470 branches, covering 31 provinces, autonomous regions and municipalities excluding Taiwan. As of the end of 2017, Galaxy Securities is the securities firm with the most securities outlets in the PRC and has served 9.7 million domestic brokerage business clients. Overseas outlets (in Hong Kong) and 28 futures business outlets have provided customers with extended services.

² Subject to permits obtained

**Distribution List of Securities Branches (including those established newly)
of Galaxy Securities in 2017**

Number of securities branches (newly established
branches in 2017)

Total **470(110)**



Profiles of serving domestic brokerage business clients of Galaxy Securities in 2017

Indicators	Units	2017
Total number of brokerage business clients ³	(0'000 accounts)	970.15
Number of additional brokerage business clients ⁴	(0'000 accounts)	97.85

³ Total number of brokerage business clients excluding the number of deregistered accounts in 2017.

⁴ Total number of additional clients excluding the number of deregistered accounts in 2017.

Protection of Rights and Interests of Investor⁵

Galaxy Securities actively practiced its social responsibilities of respecting and protecting rights and interests of investors and the investor protection is its important task in promoting the healthy development of the market. We will pragmatically promote the protection of investors by improving the appropriateness management of investors, increasing the efforts to crack down on illegal fund-raising, preventing illegal securities activities, strengthening the education of small and medium-sized investors and other solid and effective works.

Galaxy Securities also regards investor protection as an integral part of the Company's operation and management. In the principle of being close to the market, being close to the public, clearly explaining and focusing on results, the investor protection work are fully integrated into all aspects of business operations, which are promoted in various levels and different manners.

In line with the Company's business philosophy, Galaxy Securities fully implemented the "customer first", and the investor protection was performed well in four rights of investor, including information sharing, participation, compensation and supervision.

Division of responsibility on investor protection of Galaxy Securities



⁵ "Investor" in this subsection represent generalized investors in capital markets, being clients or potential clients of Galaxy Securities.

Fully perform “Know Your Customer” and comprehensively implement appropriateness management of investors.



Promotion of investor education by various channels



Poster, throwaway

Unified design provision



Printing and distributing brochures

Suitable for promotion activities of investor education



Repeated display of banners

Large-screen playback, hanging banner



Set up an information desk

Securities Branches to provide advice



Hold a session for investor education

Promote the investor education to clients



Send messages for investor education Set a special column on WeChat platform



Set a special topic on website

Set a special column or special topic on home page

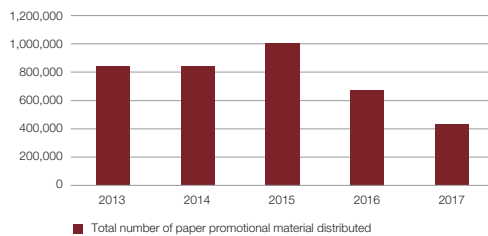


Trading software reminder

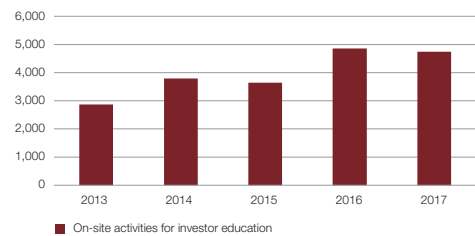
Increase reminders on trading software, telephone commission system or stock recommended software

Various Types of Products for Investor Education

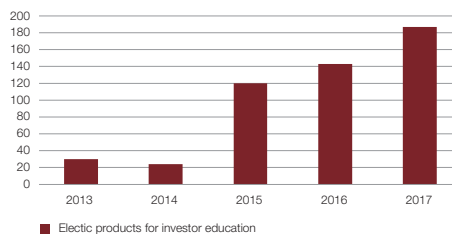
Total number of paper promotional material distributed



On-site activities for investor education



Electric products for investor education





Case: the investor education platform of Galaxy Securities

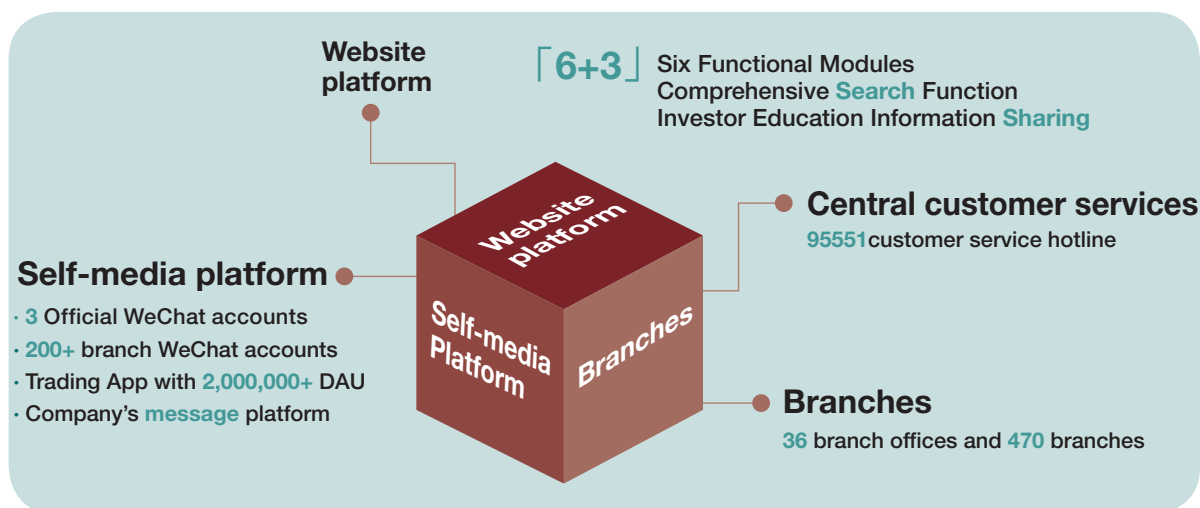
In October 2017, the investor education platform of Galaxy Securities (edu.chinastock.com.cn) was awarded the title of “National Securities and Futures Investor Education Base” by the CSRC. It is set up based on the “6 + 3” function, by applying the investor education mode of internet + and relying on the advantages of new online media and offline website, it established a full-scale and three-dimensional promotion matrix so as to continuously maintain the interaction with investors, and created an enchanting investor education platform with closing to market. In the meantime, the Company has produced a large number of new, simple, easily understandable, vivid and interesting products for investor education on the platform to further enhance investors’ understanding of securities and financial knowledge. In order to respond positively to the construction of the “Baichuan Zhongxue (百川眾學) platform for sharing resources for investor education in the SSE, in 2017, the Company sent nearly 40 products for investor education to the platform, including videos, posters and graphics. Of which, the products released on the “Baichuan Zhongxue (百川眾學) platform were for the explanation on new rules of appropriateness, the original hand-painted posters series, delisting and introduction of knowledge in convertible bonds, and actively cooperated to complete a “SSE Microlecture “ to share experiences in investor education.



“National Securities and Futures Investor Education Base” – “6+3” Functions



“National Securities and Futures Investor Education Base”-Propaganda System




In 2017, with the formal implementation of the new rules of appropriateness, Galaxy Securities took “implementing appropriateness management and protection of investor’s rights and interests” as theme of the annual investor education activities. The Company sorted out the appropriateness management work of each business line, formulated, revised and issued a number of relevant systems measures implementation measures and business processes of the Company, such as the “Measures of the Appropriateness Management for Investors” (《投資者適當性管理辦法》), and initiated related work such as inspection and internal training. While performing control of internal appropriateness management of the Company, it also actively carried out a number of investor education promotion activities in conjunction with the appropriateness management requirements.

In 2017, the Company cooperated with the SSE in promoting the online collective reception day activity of listed companies and held two special events for “I am a shareholder” for securities firms. The Company cooperated with Shenzhen Stock Exchange in conducting 6 “Voice of Investor” investigations and questionnaire surveys. In order to support the promotion activities for elimination of illegal publications, the Company, as a co-organizer, successfully held a launching ceremony for elimination of illegal publication and a health running activity of “sending away from illegal securities activities, creating positive energy” with the Securities Association of China.

Through promotion of the appropriateness management, Galaxy Securities explained investors to identify their own risk tolerance, choose the products or services which are matched with their own risk tolerance and it also explained customers to establish a rational awareness in investment and improve risk identification and prevention capabilities to effectively protect their own legal interests. According to the sample survey of investor investigation formulated by China Securities Investor Protection Fund Corporation and the investigation matters, Galaxy Securities completed the investors’ confidence survey and the market hot spot investigation and special or comprehensive investigations, providing support to securities regulators in understanding investors’ psychological expectations and the securities market research.



2017



March

The Company commenced the “3.15 Publicity Month of Protection of Investor’s Interest” activities for one month by a combination of special and continuous promotion activities. Promotion activities were made by various channels and different manners to raise investor’s awareness in safeguarding interests. At the same time, it took such activities as an opportunity to popularize the knowledge in appropriateness management of investors.

From March, the Company continued to conduct investor education promotion activities for new rules of appropriateness management by promoting appropriateness management on key businesses. the Company released a variety of products designed for inverter education by its website, We Chat, trading software, so as to expand promotion coverage.

May-September

The Company organized the special promotion activities of “Investor Protection • Understanding Rules and Identified Risks”, through typical cases and in four aspects such as insider trading, market manipulation, non-compliance disclosure of information and illegal operation of market players, it helped investors to understand the red line of rules behind cases and bottom line of risk, popularize knowledge in relevant financial and legal area, so that small and medium-sized investors recognize the usual abuse of fraud and tricks of illegal bodies to enhance awareness of investors in law-abiding and risk prevention.

June

The Company organized the promotion work for investor education in respect of the “Certain Requirements on Reduction of Shareholding by Shareholders of Listed Companies, Directors, Supervisors and Senior Management,” (《上市公司股東、董監高減持股份的若干規定》), required its branches to perform training of internal staff, conscientiously study the business rules, and carried out the promotion of investor education and dissemination of new rules of shareholding reduction with majority shareholder(s), directors, Supervisors and senior management and particular shareholders of listed companies through various ways.

August

The Company carried out the promotion of investor education for local government bonds, and actively forwarded the articles in investor education for local government bonds through the Company’s official website, WeChat platform and public number of its branches. The video animation and posters for local government bonds were displayed and show on-site to popularize the basic knowledge on local government bonds to investors.

November

The Company organized and carried out and elimination of illegal publication campaign of “sending away from illegal securities activities, creating positive energy” for one month, in which it focused on intensifying the promotion of eliminating illegal securities activities in poverty-stricken areas. The Company worked with its Gansu branch to carry out the elimination of illegal publication activities in Jingning, a couplet-assisted poverty-stricken county.

In order to protect the legal interests of bond investors, the Company organized and carried out the special activities for protection of interests of bond investors. By popularizing basic knowledge of bonds, prescribing typical cases of bonds, introducing the requirements for appropriateness management of bonds, the Company helped investors to correctly understand risks of bond investment and selecting suitable bonds, rationally participating in bond investment.


Profiles of investor education of Galaxy Securities in 2017

Indicators	Unit	2017
Number of investor education activities	(in number)	4,739
Person-time of coverage in investor education	(0'000 person-time)	1,600.9

Servicing real economies

As a large state-owned financial institution, in 2017, Galaxy Securities actively responded to the state's social responsibility requirements for financial institutions, under which guided the transformation and development of the Company, and effectively leveraged on the role of a modern investment bank. It has taken serving real economies as its starting points and ultimate goal, identifying the actual financial needs in serving real economies to continuously improve the ability and level of serving real economies.

In 2017, Galaxy Securities proactively leveraged on its professional advantages, and by relying on capital market means such as stock underwriting, bond issue, stock pledge and listing on New OTC Board, it actively served the requirements of "capacity reduction, de-stocking, deleveraging, cost reduction and improving underdeveloped areas", deeply involved in the reform of state-owned enterprises and made efforts to support strategic emerging industries and support small and medium-sized enterprises to play a role in boosting economic restructuring and serving real economies. At the same time, Galaxy Securities stepped up its communication and interaction with countries and enterprises along the "Belt and Road", further enhanced its business expansion and actively served the "Belt and Road Initiative" with a major progress achieved. In 2017, Galaxy International, a subsidiary of the Company, and CIMB Group entered into a sale and purchase agreement on the shares of CIMB Securities International Pte. Ltd. to further deepen undertakings of the Company in the "Belt and Road". Galaxy Securities has repeatedly conducted business exchanges with the Singapore Stock Exchange and the Monetary Authority of Singapore.



Case: Support emerging industries and mass entrepreneurship and innovation – Assist high-tech enterprises in improving the financing structure

A technology sponsored by Galaxy Securities was listed on the National Equities Exchange and Quotations (NEEQ) in 2017. The technology company is a high-tech enterprise engaged in the application and development of technologies on NFC and other mobile payment and identity verification to assist traditional industries in completing the mobile Internet plus industrial upgrading with the establishment of mobile payment management platforms and relevant platforms on intelligent cities as means. The technology company started from a company providing small but excellent innovation services and gradually achieved the integration with the capital market. It improved the financing structure and enhanced the brand value through the successful listing on the NEEQ. It laid solid foundation for the industrial integration and concentration and innovation and entrepreneurship in the future.



Case: Support emerging industries and mass entrepreneurship and innovation – Assist emerging enterprises in financing through listing and continuing the intelligentized development of State Grid

A group is a fables technology company focusing on research and development and engaged in the development of technologies on power line carrier communication. The power line carrier communication products of the group are mainly adopted by the State Grid to deploy and upgrade the automatic meter reading system of intelligent electric meters as the main part in the establishment of the intelligent grid in China. The group is also one of the first power line carrier communication technology companies. It can apply its own technologies, including the street lamp control, the energy management in buildings and the photovoltaic power generation management, in relevant products and solutions on energy conservation and environmental protection. Galaxy International acted as the sole sponsor and the lead underwriter for the listing of the group on the main board in Hong Kong. It assisted the group in successfully listing on the main board of the Main Board of the Hong Kong Stock Exchange in July 2017 and successfully raised HK\$200 million. It provided the group with principals in continuing the intelligentized development of State Grid and the environmental protection and energy conservation in industries.



Case: Support supply-side reform – Help enterprises with excessive capacities improve business direction through financing

The dealer-quoted securities repurchase business of Galaxy Securities has been following the principle that “the capitals obtained by clients shall not be used for enterprises or industries with high pollution, energy consumption and excessive capacities”.

An iron and steel group, a client, proposed pledge financing demands to Galaxy Securities in May 2017. Also, the iron and steel group conducted the following improvements to the business direction based on national policies and its own conditions:

- (I) De-capacity. It eliminated outdated and old steel-making equipment, reduced the iron and steel and coal output and strictly controlled new capacities. It focused on the development and marketing of products meeting the requirements on ecological design and improved the utilization efficiency of social resources.
- (II) De-leveraging. It optimized capital allocation and maintained tight control on capitals to firstly guarantee the cash flow in production and operation, salaries, taxes and other rigid capital demands. It significantly reduced unproductive expenditure and deepened the overall budget management.
- (III) De-stocking. Besides actively exploring the cooperation and development with neighboring countries and promoting the product exports to countries along the “Belt and Road” initiatives, it focused on strengthening services and achieved the transformation from a “manufacturer” to a “services provider”. Under the background with excessive iron and steel products with serious homogenization in the market, it gained market share and obtained more profits with services.
- (IV) Reducing the cost. While maintaining stability, it significantly cut down management levels, improved the management efficiency, reduced the labor cost and increased the appraisal on reducing cost and improving efficiency.
- (V) Shoring up weaknesses. It completed the acquisition of relevant assets on the comprehensive utilization of rare earth and the selecting of niobium from a mining limited company in the end of April 2017. The production line produced a total of 48,400 tons of rare earth ore concentrates in May and June (with an inventory of 28,600 tons upon the acquisition of the production line). The iron and steel group and a rare earth company have signed an contract on the supply of rare earth ore concentrates, providing that the iron and steel group will supply rare earth ore concentrates to the rare earth company.

After comprehensive assessment, in July 2017, Galaxy Securities facilitated the financing of RMB1 billion and the optimization of business direction for that company through its share pledge and repurchase business.



Case: Promote the “Belt and Road” initiatives – Acquisition of CIMB Securities International

On 6 June 2017, Galaxy International and CIMB Group entered into a sale and purchase agreement on the shares of CIMB Securities International Pte. Ltd. The securities business under CIMB Group covers eight countries and one region, including Singapore, Malaysia, Thailand, Indonesia, South Korea, India, Hong Kong, the United Kingdom and the US, and covers core countries under the “Belt and Road” initiatives. The acquisition of the securities business under CIMB Group is a specific action of Galaxy International in coordinating the strategic development of Galaxy Securities, implementing the “going out” initiative of the CSRC and the “Belt and Road” initiatives of the state. It is also an important measure in implementing the strategic planning of Galaxy Securities and speeding up the pace of internationalization.



Shareholders' satisfaction and maintaining market stability

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

In 2017, the Company achieved revenue (consolidated) of RMB11.344 billion.

Strengthen communication with shareholders

Galaxy Securities completed the listing of A shares in 2017 and the structure and number of its shareholder have changed significantly. The Company further refined and improved the management on investor⁶ relations and conducted innovation in the working method and strived to improve the smooth information communication channels between the Company and investors, 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.

Galaxy Securities continued to improve the communication and liaison mechanism with domestic and overseas shareholders, potential investors, investment bank analysts, fund managers and other groups in 2017 to maintain and deepen the close relationship with investors and analysts, promote the corporate culture and strategies, introduce the business of the Company, conduct the management of investor relations through multi channels and angles and boost their confidence in the development of the Company. Through the communication with investors, the Company responds to the concerns of investors, displays the highlights in operation and analyzes and studies major concerns of investors and relevant suggestions on business development to promote the development of relevant businesses and the improvement of management efficiency.

The Company convened 3 general meetings, deliberated and passed 15 resolutions and listened to 1 report in 2017. It responded to the concerns of investors at the communication with investors especially arranged at the general meeting.

Galaxy Securities conducted the 2016 annual results presentations, the 2017 interim results presentations and interim and annual results road shows in 2017 and enhanced the communication with investors and analysts. It has established good relationship with analysts from Nomura, Credit Suisse, BofAML, BOC



⁶ The "investor" in the section narrowly refers to the investors of Galaxy Securities, namely the shareholders of Galaxy Securities and the potential shareholders of Galaxy Securities.

International, HSBC and other international investment banks. Galaxy Securities is covered in the studies of 24 domestic and international investment banks and research institutes and has maintained good communication relations on research reports. It newly established the communication and liaison with domestic securities analysts and established good relations with CICC, Guotai Junan, CITIC Securities, China Merchants Securities, Changjiang Securities, Pacific Securities and Essence Securities to strengthen two-way communications. It completed inspections conducted by AH investors and analysts and one-to-one interviews, received more than 120 investors and conducted over 200 communications and receptions with analysts and investors through email and telephone.

Guarantee safety in transactions

In order to guarantee the safety and stability of the trading market, Galaxy Securities attaches equal importance to management and technology. It adopts various measures to guarantee the security of the system and user information, and provides safe on-site and online trading channels, environments and services, thus reinforcing the safe operation of the financial system and the business of Galaxy Securities and protecting the interests of all investors of the Company.

The Company formulated the “Measures on Management of Users and Licenses in Securities Trading System” (《證券交易業務系統使用者及許可權管理辦法》), which implemented the standardization management of taking users, license and role as the cores for the Company’s securities trading system, under which users are granted the license or role according to requirements of job responsibilities, business needs and risk control, and applied the principle of mutual exclusion of permission to strictly regulate behavior of operators.

Currently, Galaxy Securities implements a safe and efficient technical structure with “three centres in two regions”. It has established a two-level redundant network structure covering three centres in two regions and all branches. It 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 and conducted risk assessment on the whole information system. It strengthened the safety protection against computer virus and online attacks to ensure the overall safety of the information system through various defences. In the evaluation on the classified protection of information security in recent years, the Company has scored over 96 points in successive years.

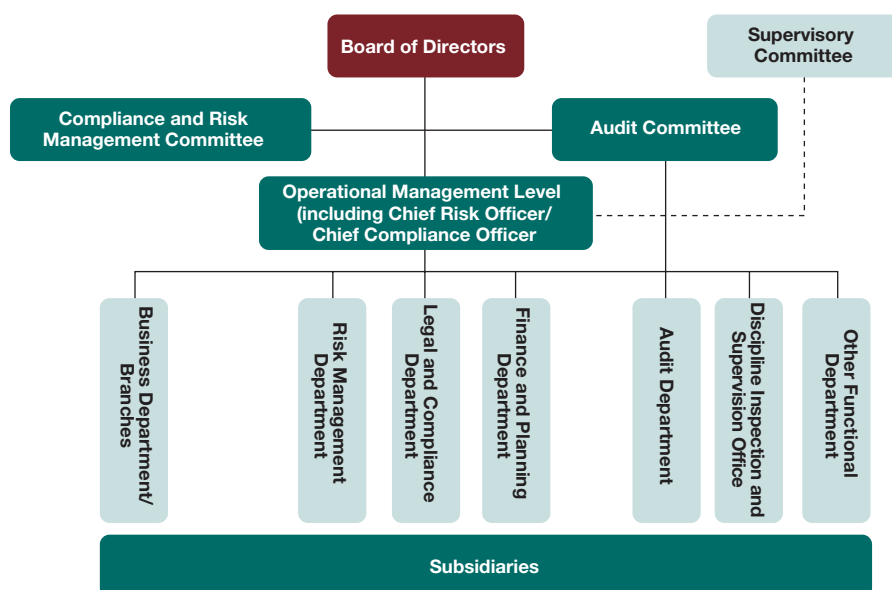
The Company has encountered no significant technical incidents and safety problems in more than ten years since its establishment.

Overall risk management

In order to maintain the market stability and avoid various risks, Galaxy Securities has been devoted to promote the idea that risk management creates value. It gradually promotes the overall risk management through identifying, appraising, monitoring, analyzing and dealing with various risks. The risks faced in the operating activities of the Company mainly include market risks, credit risks, liquidity risks and operation risks. The Company has taken effective measures and actively responded to them. It has prevented serious risk incidents on the whole and guaranteed the safe conducting of operating activities.

Organizational structure on risk management. The Company has established an upper institute in the organizational system on risk management with the board of directors, the board of supervisors and the operation management as main bodies. It also established grass-roots institutes in the organizational system on risk management based on “three lines of defence” and adopted the risk management of subsidiaries into a unified system to conduct vertical management on their risk management work. The chief risk officer/compliance officer is fully responsible for the overall risk management and compliance management work. All business departments, branches and subsidiaries of the Company have set risk control positions or risk management departments responsible for the internal routine risk management work.

Organizational structure of Galaxy Securities on risk management



Cultural construction on risk management. The Company raises requirements on strengthening the cultural construction on risk management in the Outlines for All-round Risk Management and sets the ideas of “Risk management is the responsibility of everyone and risk management creates value”. It effectively implements the risk management culture and idea through systems and processes, systematic control, encouragement and appraisal, significant responsibility investigation, training and publicity as well as other forms. The Risk Management Department sends morning reports on monitoring negative news and credit risk trends in the open market every day to report risks on the financial market in time. Meanwhile, it actively publicizes the risk management culture and conducts education on risk management to improve the risk idea and awareness of the staff through conducting various forms of trainings on risk management in the industry, all business departments, branches and risk management department of the Company. The Legal Compliance Department establishes mechanisms on the changes of laws and regulations, compliance hints, the promotion of compliance practices and compliance tests on the staff to improve the compliance practices of the staff based on the responsibilities on compliance management and focused on regulation rules, punishment cases and internal compliance risk matters.

Establishment of institutional mechanism and system on risk management. The Company set a relatively perfect risk management system and established a risk management system with four levels from the top outline design to specific businesses and the actual operation level, making the risk management covering the whole process of identifying, analyzing, measuring, monitoring and dealing with risks. The Company covered all risk types, business types and branches through the risk control module in the business system and professional risk management system groups, which supports the concentrated and unified management of risk information and supports the measuring, monitoring and alarming of risk indicators, risk display and other functions. The Company is establishing the consolidated management system to achieve the collection of data on parent companies and subsidiaries, the consolidation of data on the group, the automatic generation of consolidated regulation statements and other functions and gradually achieve the concentrated management of risk information on the group level.

Actively participate in or promote interbank risk management. The Company participated in the pilot on consolidated regulation by the CSRC to deeply understand the business and risk characteristics of subsidiaries and learn about the data and system of subsidiaries. It strengthened the vertical risk management on subsidiaries with the consolidated management as means and provided constructive suggestions to the promotion of consolidated management in the industry. It participated in the special study on making impairment provisions with the expected credit losses method after the implementation of new accounting standards on financial assets in 2018 organized by the Securities Association of China. It actively coordinated and assisted the Securities Association of China in relevant work on pressure test in the industry, participated in the early design of pressure test templates under the unified scenarios as well as the statistics and analysis on the results of the pressure test in the industry.

Legal compliance operation

In order to guarantee that all businesses and management of the Company are in compliance with the law and 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 Firework 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, Galaxy Securities established a multi-layered compliance management system with the Board of Directors and the Compliance and Risk Management Committee under it, 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.

The Company established the compliance reporting, compliance appraisal and accountability mechanism. For the risks on fraud transactions, money laundering risks and non-compliance operation found in routine compliance management, the Company initiates the internal and external reporting procedures based on the requirements on regulation and the reporting system on significant matters and initiates the investigation and treatment procedures for risks on illegal matters. It holds the specific responsible department and responsible person accountable based on the results of investigation, the compliance assessment management method of the Company and the punishment method on illegal activities of the staff. On such basis, the information wall system of the Company provides measures on business isolation, staff isolation, information system isolation and the isolation of capitals and accounts and achieves the effective isolation among the investment banking business, the brokerage business, the proprietary securities trading, the securities research reports releasing business and other businesses. It achieves the prevention and control on the improper flow and use of sensitive information in businesses with interests conflicts and prevents the interests conflicts between the Company and clients as well as between clients and clients to avoid inside trading and other illegal activities. It establishes the early system construction on compliance operation and preventing fraud transactions and money laundering risks through induction training on the staff, the filing of securities accounts, the reporting of key information, the establishment of the compliance monitoring system and other measures.

Anti-fraud transactions

The Company practically strengthens the compliance operation and prevents fraud transactions through the establishment of the information system and the compliance publicity to the staff. In terms of the establishment of the information system, the Company completed and initiated the management system on compliance monitoring, interests conflict monitoring, staff practice behaviours monitoring and clients trading activities monitoring. Through the setting of indicators and parameters and the optimization and adjustment of models, it achieved the identifying, analyzing, following, monitoring and reporting of doubtful transactions. On the other hand, the Company attaches high importance to the compliance publicity of staff practice behaviours. Through the interpretation of systems, cases analysis, compliance training and publicity and other forms, it effectively improved the awareness of the staff on active compliance, conscientious compliance and spontaneous prevention of non-compliance activities. Galaxy Securities saw no lawsuits on fraud transactions in 2017.

Anti-money laundering transactions

The Company strengthens anti-money laundering through consistently improving early prevention and late punishment. In terms of early prevention, the Company has initiated client identification scheme and monitors doubtful money laundering transactions based on the characteristics of clients and the nature of businesses. The amount of transactions is not the only criteria. Based on the actual conditions of securities businesses and the appraisal results on money laundering risks, the Company established monitoring models into the new version of the anti-money laundering system (the comprehensive monitoring system on anti-money laundering) on its own and introduced them for operation in 2017. When the system detects abnormal transactions, relevant staff will conduct manual analysis and identification and determine if they are abnormal transactions based on the due diligence results on clients. If they are determined to be doubtful transactions, the Company will report to the China Anti-Money Laundering Monitoring and Analysis Centre and other relevant authorities and fully cooperate in investigation. In terms of late punishment, if the court finally judges such client transactions as money laundering transactions, the Company will resolutely implement the result of judgment of the court and handle relevant responsible companies and staff which failed to fulfill anti-money laundering obligations according to rules. Galaxy Securities saw no money laundering transactions to the lawsuit process in 2017.

Anti-corruption

Galaxy Securities attaches high importance to the honesty of the 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 are no lawsuits against fraud and bribery laws in 2017.



Compliance procurement

On the basis of the establishment and improvement of the procurement management system, Galaxy Securities conducts process and standardized management on the selection, appraisal and cooperation with external suppliers and sets clear requirements on the law-abiding, business reputation, products and services quality of suppliers. The procurement management department of the Company maintains multi-level liaisons with important suppliers, strengthens the review on the qualification of shortlisted suppliers and conducts field investigations on suppliers based on the demands of programs. It refuses disqualified suppliers to enter the Company and regularly conducts appraisal on suppliers with long-term partnership in the supplier catalogue. It reassesses qualified suppliers every two years on average. In 2017, Company revised the Method on Procurement and Management of the headquarters of the Company and entered into cooperation agreements with 124 suppliers through bidding and business negotiation during the year.

Putting staff first and improving talent system

Galaxy Securities sticks to putting people first, cares about the health and safety of the staff, safeguards the legitimate interests of the staff and creates conditions for individual growth of the staff.

Staff employment

Galaxy Securities originates from securities business departments of 6 financial institutes with branches across the whole country. With the business development of the Company, more and more outstanding talents and organizations from different regions with different cultural background join the Company. Considering its genes and the position in the industry as well as the international development strategies, Galaxy Securities has established a fair inclusive and diversified corporate culture. In order to standardize the recruitment of staff, the Company prepared the Administrative Measures on Staff Employment of the Company and set clear basic recruitment conditions. The employment follows 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 Law on Employment Contracts. It sets clear responsibilities and obligations of the Company and the staff and completely eradicates child labors and forced labors.

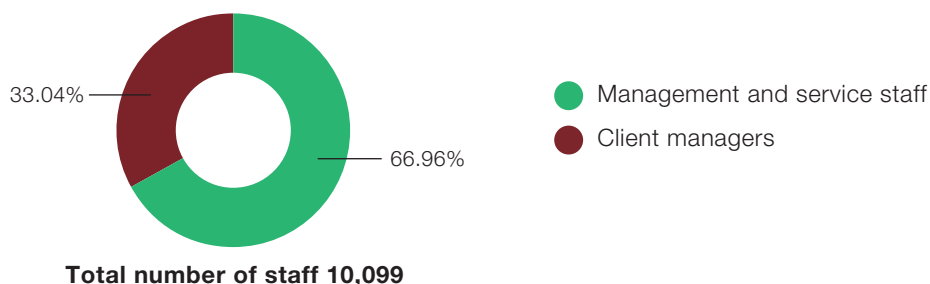
The Company conducts internal allocation first before external recruitment and encourages the reasonable flow of the staff within the Company and provides the staff with promotion and learning opportunities. In terms of the conditions for staff recruitment, it does not adopt universal criteria. Based on different requirements of each position on the quality of the staff, it prepared recruitment standards on each position. In the implementation, it recruits talents with different sexes, educational backgrounds, working experiences, majors and ages through various channels (including internal recruitment, social recruitment, campus recruitment and through intermediary organs of talents and internal recommendation) in an open and impartial way.

While deeply advancing business transformation, Galaxy Securities emphasizes the organic integration of the reform, the development speed and the staff tolerance. While maintaining the relative stability of working positions and staff remunerations, the Company makes young outstanding talents stand out through two-way selection, open competition, job mobility and other methods and preliminarily established a market-based employment mechanism with “promotions and demotions as well as entering and going out”.

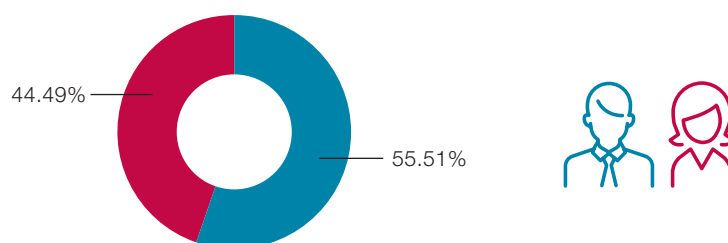
In accordance with the needs of society from the integration of production, education, research and practice, the Company actively invited college students to work as interns at the Company so as to improve their practical abilities and their competitiveness in employment.

The headquarters of the Company has conducted campus recruitment for five straight years. It recruited 19 fresh graduates into the headquarters in 2017 and accepted 2 demobilized army cadres (including 1 female cadre). The Company attracted 354 outstanding talents into the headquarters and branches for business development through social recruitment in 2017.

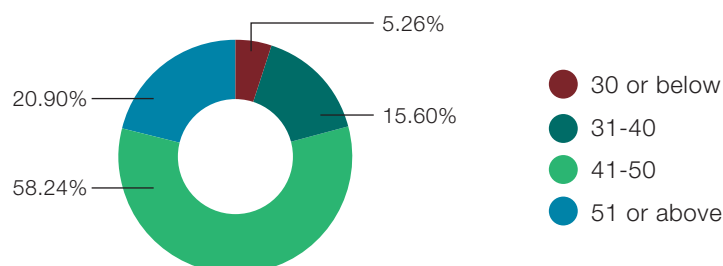
Number of staff of Galaxy Securities in 2017



Proportion of staff of Galaxy Securities based on sex in 2017

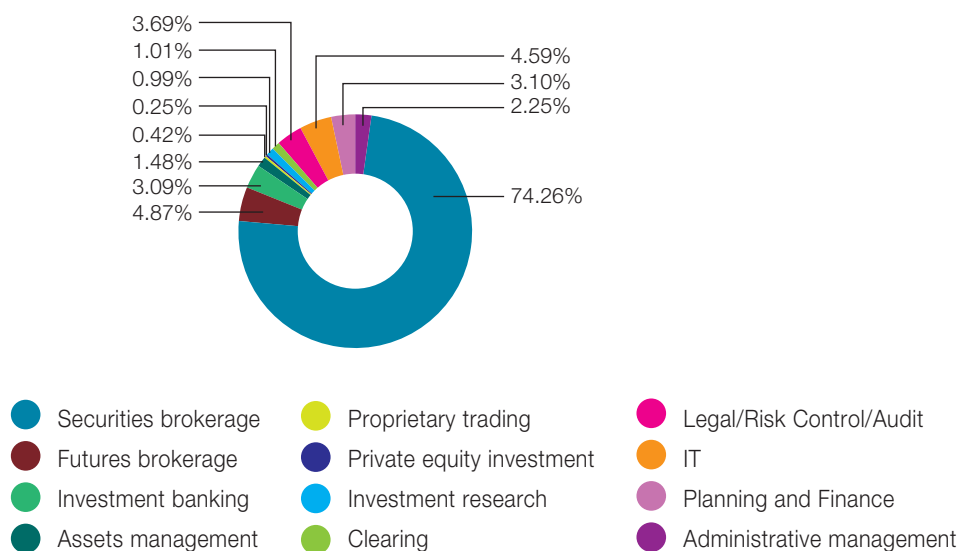


Proportion of staff of Galaxy Securities based on age in 2017

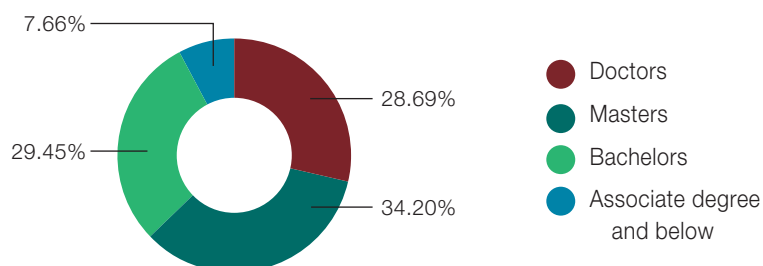


⁷ The “companies” refer to Galaxy Securities and 5 subsidiaries under it, which has the same meaning as “Group Companies” in the Annual Report.

Proportion of staff of Galaxy Securities based on profession structure in 2017



Proportion of staff of Galaxy Securities based on educational background in 2017



Proportion of female managers⁸ of Galaxy Securities in 2017



⁸ 1) Managers refer to directors, supervisors and senior management; 2) The division of managers is consistent with the annual report.

Employees' rights

Galaxy Securities establishes the 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.

Galaxy Securities grants all employees with their rights in accordance with national laws and regulations. The Administrative Measures for Attendance and Leaves of the Company set clear provisions on the working time and rest days of employees and employees enjoy reasonable remunerations and holidays (paid annual leaves, sick leaves, private affairs leaves, home leaves, maternity leaves, marital and funeral leaves and work-related injury leaves). The Company prepared the Administrative Measures for Staff Benefits of the Company. On the basis of guaranteeing the statutory welfare, five social insurances and one housing fund of the staff, the Company provides the staff with supplementary medical insurance, annuity fund plans at the staff's option, physical examination for staff and other supplementary welfare. When female conduct prenatal examinations during pregnancy in accordance with family planning policies, they will be treated as attendance. They will enjoy maternity leaves after childbirth and the suckling period for babies after returning to work. The Administrative Measures for Staff Retirement of the Company provides that it shall provide retirement subsidies, regular physical examinations and other welfare to the retired staff based on certain standards. The Company's labor union prepared the Temporary Measures on Appraising Leading and Outstanding Staff and conducts various work on appraising outstanding staff every year. It also publicizes it in the Company in time and created an excellent atmosphere for learning from and striving to be outstanding employees.

Galaxy Securities also provides that for staff in serious violation of rules and systems of the Company, with gross negligence and malpractice or causing significant losses to the Company, the Company may actively rescind the employment contract with them.

In accordance with the Administrative Measures for Positions and Ranks, the Company adjusted the positions, ranks and remunerations of the staff for the third straight year in 2017.

Galaxy Securities saw and completed 4 lawsuits on labor disputes in 2017 and all were settled through mediation or reconciliation.

As the overseas operational entity of Galaxy Securities, Galaxy International focuses on the protection of the rights of local staff and labors in overseas operation under the overall labor policies of the parent company. It respects equal employment, cares about the safety and health of the staff and forbids forced labors and child labors. Except certain positions with requirements on language, such as Mandarin, or to coordinate with the business development plans of Galaxy International's global marketing departments based on the demand of talent strategies, it generally employs local staff of the operation place first for other positions.



Case: Galaxy Securities held the second meeting of the second session of the employee representative meeting

On 27 December 2017, the Company held the second meeting of the second session of the employee representative meeting by video conference. During the preparation, the Company's labor union solicited 47 proposals submitted by relevant department at the headquarters and branches, covering the staff's rights, remuneration and welfare, brokerage business, staff disciplines and corporate culture. 323 employee representatives attended the meeting at the main venue and branch venues and performed their duties at the meeting. It deliberated and passed the Administrative Measures for Funds Management of the Company's Labor Union (Revised Version), the Proposal on Adjusting and Improving the Annuity Plan of the Company and other systems and plans concerning tangible interests of the staff. It also listed to the explanation to the Administrative Measures on Client Managers of the Company (Revised Version) and relevant detailed rules and the handling of proposals on "housing provident funds, second child policies, loyalty bonus, staff remuneration and subsidies on service years".

Care for employees

The Company's labor 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, communicates with them and strives to be their "close friends".

The grass-roots labor union of the Company build the "home of employees" characterized by the integration of "hometown, campus and paradise" with practical uses by making full use of fundamental conditions, which helps employees feel close, dependent and belonging to the Company.

Besides the unified greetings to all employees on holidays and the one-to-one greetings to employees on birthday, marriage and childbirth, the Company's labor union also expresses its care about female employees, impoverished employees, retired employees and other special groups through various methods. It established and renovated suckling rooms for female employees during the suckling period. It held lectures on metal knowledge and calligraphy for female employees during the "March 8" festival. It prepared the Administrative Measures for Sending Warmth and provides physical or mental assistance in time to employees suffering the death of themselves or immediate family members, work-related injuries, serious diseases and other difficulties. It assists the Chinese Financial Workers' Union in visiting impoverished labor models, extremely impoverished employees and single and extremely impoverished female employees during the New Year and Spring Festival holidays. The Company established the retired employees service center and regularly holds symposiums with retired employees to learn about the difficulties of retired employees and help them solve the problems. It visits retired employees with diseases and send warmth from the Company to retired employees. It holds various outdoor activities to enhance the communication among retired employees and improve their physical and mental conditions. It also conducts the annual physical examination, the reimbursement of medical expenses and the distribution of various welfares of the Company to retired employees.

The Company's labor union focuses on promoting the development of the corporate culture building. Based on the characteristics of the industry and its own practical conditions, it advocates the idea of "happy working and happy life". It established 13 cultural and sports clubs and organizes various cultural and sporting activities with a wide scope and huge participation of employees. It diversified the spare-time cultural life of employees and created an excellent corporate cultural atmosphere.

The Company's labor union organized mountains climbing and hiking in spring, walking in autumn, fishing, swimming and fitness, calligraphy and painting training, advanced poker competition and other activities in 2017. It organized teams to participate in employees games, walking competitions, football matches and table tennis invitation games held by the national financial system, the CIC system and the Galaxy Financial Holdings system. It encouraged and supported labor unions of the headquarters and branches to conduct diversified public cultural and sports activities, which expanded the coverage of activities, enhanced the cohesiveness of employees and improved the physical conditions of employees.

Based on businesses and the success of the First Business Skills Competition, the Company's labor union held the Second Business Skills Competition in early 2017. The competition lasted for over 8 months, covering the "financial skills competition" and the "investment consultancy skills competition". It included four stages from the mass election in all securities offices, the competition in branch companies, the competition in five big areas and the finals. Wang Haiguang, a Party member and vice chairman of the Chinese Financial Workers' Union, presented at the finals and delivered speeches, indicating that the labor union of China Galaxy Securities has been following the model with "the labor union establishing the platform, business dominating and employees being leading roles". The skills competition provides a platform for Galaxy's employees to show themselves and making contributions to the financial industry.



1. Our team won the Fourth "China Investment Cup" Football Match
2. Our leaders visited retired employees for New Year greetings
3. Mountain climbing and hiking in spring
4. Headquarters staff working out
5. Second Business Skills Competition Finals

The Company's labor union also holds art shows, parties for young people, parent-child lectures, photography competitions and other activities to diversify employees' spare-time life and enhance the attractiveness and cohesiveness of the Company. The employees' happiness has been improving and all employees of Galaxy are close to each other.

In 2017, the employee benefit expenses of Galaxy Securities amounted to RMB168 million in total.

Employees promotion

Galaxy Securities 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 ranks system, the performance appraisal and remuneration allocation applied to the headquarters and branches.

The Company established the “MD system” rank system with four position sequences and directly uses the performance appraisal results of employees in promotion. It prepared the Administrative Measures for Backup Talents of the Company, set the criteria on the promotion of backup talents and provided the institutional system for the growth of excellent talents.

The Company sticks to the orientation of performance and improves the appraisal mechanism. It disassembles the strategic targets of the Company into key performance indicators and working tasks of business lines, departments and individuals and guarantees the transparent, systematic and objective performance appraisal. It enhances the reward and punishment mechanism and applies the performance appraisal results of employees into the remuneration, ranks promotion, positions adjustment and dismissal. The Administrative Measures for Positions and Ranks sets the system on “green growth channels for outstanding talents”, which fully displays the effects of positive incentives.

The Company follows the principles of “market orientation and performance orientation” and attaching equal importance to incentives and restrictions. On the basis of competitive remunerations, the Company designed the incentive mechanism for research institutes, securities investment and other business lines based on their business characteristics and conducts the linkage between performance and contributions.

In order to guarantee the basic principle with the training on young cadres covering all units, the Company determines 203 young talents (151 young cadre talents and 52 overseas young talents) among 1,537 management services employees between 30 and 45 years old through the recommendation by themselves and units, covering 35 branches and the 35 primary departments of 4 major business lines at the headquarters.

Currently, the Company is further studying the revision of relevant systems on positions and ranks management and remuneration management to provide outstanding and young employees with better opportunities for professional development.

Employees training

In order to improve the training system of the Company, Galaxy Securities actively conducts innovation in training and builds and deepens the establishment of study organizations to provide intellectual supports to the development of the Company. It will serve the establishment of talent teams with different classifications and the building of a cadre team with excellent businesses, the improvement of the competitiveness and leadership of talents and the reform, development and transformation and business expansion of the Company.

Relevant systems of the Company on training include: the Administrative Measures for Staff Training, the Temporary Administrative Measures for Part-time Trainers, the Temporary Administrative Measures for the (Training) Tutorial System and the Administrative Measures for Attending External Trainings. Under the framework of training policies, the Company prepares annual training plans and conducts various diversified training activities and programs in a steady and orderly way to specially improve the quality and business ability of all employees.

The current training system of Galaxy Securities is composed of three dimensions, namely hierarchy, grading and classification.

Levels	Responsible department	Training contents
Training coordinated by the Headquarters	The training centre of the research institute	Training for new employees, training on general skills, training for cadres and talents, training for middle management cadres, training on new businesses, special lectures, etc.
Training by business lines	All business departments	Business skills, new businesses, etc.
Training by branches	All branches	Training on marketing and businesses for employees of all offices in the jurisdiction

Galaxy Securities prepares graded training courses for the senior management, department managers, managers of securities branches and new employees and conducts classified training on research employees, investment banking employees, investment consultancy employees, financial employees, compliance control employees, IT employees and other different positions.

Galaxy Securities established the training centre of the research institute to professionally perform training functions in the second half of 2017. The training centre of the research institute will further improve the training system based on the actual conditions in the business development of the Company in the future.

Establishing online training platforms based on e-learning. Currently, Galaxy Securities has established the e-learning online platform with diversified course contents. It has preliminarily established a complete knowledge system covering derivatives, investment banking, investment, wealth management, research and other business knowledge as well as practice and code of conduct on practitioners, leadership and incentives, business writing and other non-business knowledge. It achieved the effective combination and linkage of online learning and offline self-learning and training by employees and preliminarily established a relatively complete training system. Galaxy Securities will continue to improve the e-learning online platform and establish mobile learning platforms.

Video training of Galaxy Securities in 2017

Indicators	Number	2017
Total number of current video courses	(course)	230
Total duration of video courses	(hour)	2,213

Trainers team. The trainers team of Galaxy Securities are composed of internal trainers and external trainers. In accordance with the Temporary Administrative Measures for Part-time Trainers, Galaxy Securities has built a talent pool of part-time trainers currently and attracted 128 trainers from the headquarters and branches. In the practice of trainings, the senior management, middle department leaders and business cadres have taught courses as internal trainers in various trainings. The Company will further revise and improve the internal trainers system and established a complete trainers team in the future. Meanwhile, Galaxy Securities has established business contacts with more than ten suppliers of external trainings and conducted relevant cooperation. External trainers have become important supplements to the professional trainers team.

Cooperating with industries, associations and universities in training. Galaxy Securities has been emphasizing the cooperation with industries, associations and universities. Besides continuing education and qualification examinations, Galaxy Securities has maintained close business relations with the Securities Association of China and the Asset Management Association of China and participated in the design of courses, courses sharing, lectures, forums, industry and company appraisals. It also cooperates with universities, for example participating in summits and symposium of financial talents held by universities and colleges.

Number of trainings held by Galaxy Securities based on organization in 2017

Indicators	Unit	2017
Trainings coordinated at the level of the headquarters	(Phase)	3
Trainings at the level of business departments	(Phase)	219
Trainings at the level of branches	(Phase)	499
Total	(Phase)	721

Attendance in trainings of Galaxy Securities based on organization in 2017

Indicators	Unit	2017
Trainings coordinated at the level of the headquarters	(Person-time)	151
Trainings at the level of business departments	(Person-time)	1,447
Trainings at the level of branches	(Person-time)	4,791
Total	(Person-time)	6,389

Training expenses of Galaxy Securities in 2017

Indicators	Unit	2017
Total expenses on staff trainings	(RMB10,000)	398.48



Case: Trainings coordinated by the Company – Young cadre training program



Galaxy Securities held three phases of classes for young cadres in 2017. The trainings were conducted in concentrated face-to-face instructions with more than 50 participants in each phase. The participants are young business cadres at the headquarters, branch companies and securities branches.

Major leaders of the Company generally participated in trainings in the whole process. The Party Secretary and Chairman of the Company delivered keynote speeches at the opening

ceremony of each phase and the President delivered conclusion speeches. It encourages participants to participate in the forming of reform ideas of the Company and unifies thoughts in the new idea on transformation and development to practically promote the implementation of the transformation and development of key work. Young cadres participated in trainings are highly expected. Based on the Chairman's three requirements of "solid political thoughts, good practice and excellent business skills", the training program has enhanced the "idea of overall situation", bottom-line thought and the sense of crisis on "skills panic" of young cadres.

During the trainings, leaders of all business lines of the Company held special lectures on all business lines, which deepened participants' understanding of the industry and the business expansion of the Company.

In the group discussions during the trainings, participants are highly concerned about the transformation and development of the Company and made suggestions to the development of the Company. The training program has unified the thoughts of our young cadres, broadened their horizons and raised their confidence by defining the development strategies and orientation of the Company, thereby laying a solid foundation for the better development of the Company.



Case: Training on business lines (departments) – Training for continuous education on audit business and internal audit positions

Based on the requirements of the China Institute of Internal Audit (CIIA) and the actual work of the Audit Department, the training on audit staff of Galaxy Securities has been conducted through the cooperation with the CIIA in the form of concentrated training every year from 2003 to 2017.

In 2017, the Audit Department of the Company and the China Institute of Internal Audit jointly held the 2017 annual training for continuous education on audit business and internal audit positions. Experts, senior management and responsible person of business departments from the Counsellors' Office of the State Council, FDT AI Limited, Shinewing Certified Public Accountants, Deloitte Touche Tohmatsu CPA Ltd. and other external institutes gave lectures on the macro economic situation, the effects of the national development plan and application of artificial intelligence on the securities industry, the practice in internal audit, the analysis of financial statements and the updating of new domestic accounting standards, the brokerage business, innovation business and Internet-based business of the Company. They communicated and shared experiences focusing on the analysis of audit date, the application of risk matrix and control matrix in the audit analysis system as well as how to improve the target and effectiveness of data analysis. They also made advices and suggestions to the work.

The trainings saw excellent results. They generally met the demand for learning about businesses in the new stage, diversified participants' knowledge in risk theory, audit practice and securities digitalization and provided strong supports to further revise and improve the risk matrix and internal control and audit plans of branches and expand digitalized audit.



Case: Training on branches of operation and business lines – Training for responsible persons of new securities branches and for the preparation of new securities branches in 2017

In order to effectively implement the Company's strategic layout of new branches and help new securities branches open for operation and achieve profits as soon as possible, the brokerage business line has gradually established a production line targeted at the responsible person of the new securities branches, namely the training in the preparation period being to "help it get on the track" and series of trainings with one to two years of training upon opening and the early period of operation with "further help".

The Company held trainings for responsible persons of new securities branches and the preparation of new securities branches in Nanjing and Beijing in July and September 2017, respectively. The training for responsible persons of new securities branches focused on helping participants achieve profits as soon as possible and the training courses mainly focused on the interpretation of appraisal methods, the introduction to principal businesses, marketing plans, compliance operation, the interpretation of financial systems and answering questions as well as experience sharing with outstanding responsible persons to guide new responsible persons to conduct businesses and achieve profits as soon as possible. The training for responsible persons for the preparation of new securities branches is to help responsible persons for the preparation of new securities branches complete the preparation and open as soon as possible. The courses focused on the quality of managers, the establishment process of securities branches, personnel recruitment, key points in financial management, legal compliance, the building of information system and the interpretation of relevant systems on marketing and wealth managers as well as the experience introduction by general managers of outstanding securities branches to help responsible persons smoothly complete the establishment under legal conditions.



Case: Postdoctoral workstation

Galaxy Securities' postdoctoral workstation was approved to establish according to the document "RSBF (2010) No. 60" issued by the Ministry of Human Resources and Social Security in August 2010. It enrolled the first postdoctoral in July 2011 and obtained the independent enrolment qualification for postdoctoral in 2017.

The postdoctoral scientific research workstation studies significant theoretical issues in the economic operation and development in China, significant theoretical and practical issues in the reform and development of the capital market and the realistic, forward-looking and strategic issued in the development and innovation of securities companies and strives to build Galaxy Securities into a domestic first-class securities company with studies with broad and deep studies with high quality and serve the reform and development of the capital market and the prosperous economic and financial science in China.

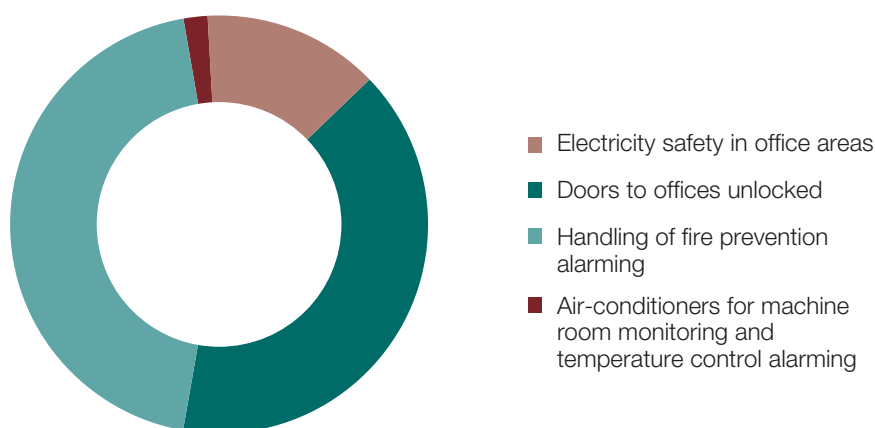
The postdoctoral has published more than 400 research reports since the establishment of the workstation. Over 30 academic papers have been published in academic periodicals or academic meetings and many academic papers won prizes. They published many monographs or translated monographs. They have assumed and completed subjects appointed by regulators, superior component authorities, industry associations, relevant governmental departments, enterprises and the Company. The research results have been appraised by relevant authorities and achieved certain economic benefits. In the latest overall appraisal on postdoctoral research stations and workstations across the country, Galaxy Securities' postdoctoral workstation was appraised to be "good".

Working environment

The Company attaches high importance to guaranteeing the safety of operation places and the physical safety of employees. In accordance with the provisions of the Regulation on Inside Security and Safeguarding for Enterprises and Public Institutions issued by the State Council, the Regulation on Monitoring and Inspecting Inside Security and Safeguarding for Enterprises and Public Institutions by Public Security Agencies, the Fire Prevention Law and the Counterterrorism Law of China and the safety accidents of the Company in recent years and routine potential safety hazards, Galaxy Securities prepared the Guideline on Safety and Safeguarding Work in 2017, covering security and defence, fire prevention, technical prevention, the standards on personnel allocation and the process for the handling of emergencies. It established standard and unified standards on security and defence in the Company for the first time.

Take the headquarters of the Company as an example, security personnel conducts 12 regular patrols 24 hours a day and conducts a patrol on the office and public areas every 2 hours on average to prevent potential safety hazards in time.

Potential safety hazards inspected and prevented at the headquarters of Galaxy Securities in 2017



The Company established security administrator groups at branches and held trainings for security administrators in 2017 to help them understand and master the plans on the handling of potential safety hazards and emergencies in routine work.

The Company recorded no disaster incidents due to work negligence, no injuries and death and no property losses in 2017. The Company saw no safety and stability incidents in significant and key sensitive periods.

Significant security incidents and work-related injuries of Galaxy Securities in 2017

Indicators	Unit	2017
Significant security incidents in the system of the Company	(incident)	0
Number of work-related injuries in the system of the Company ⁹	(time)	2
Number of employees with work-related injuries in the system of the Company	(person)	2

Galaxy Securities cares about the physical and mental health of employees in working and guarantees that employees can enjoy working with physical and mental pleasure. Take the headquarters of the Company as an example, Galaxy Securities adopts the following measures to protect the physical and mental health of employees. It establishes health service centres for employees and appoints special medical staff to provide employees with physical examination, the vaccination against influenza, routine clinical reception and other medical services, giving treatment proposals to sick employees and regularly publicizes common knowledge on the prevention infectious diseases to employees. For the air quality in Beijing, where the headquarters of the Company is located, it distributes anti-haze masks to employees at the headquarters. Besides the supply of barrelled drinking water, it also installs water purification equipment on the drinking water boilers on each floor of the office building at the headquarters of the Company to improve the quality of drinking water. The redecorated office areas at the headquarters adopt construction materials meeting the national green and environmental protection standards. In order to beautify the office environment, it increases green plants in office areas. Over 95%¹⁰ of employees at the headquarters conducted physical examination in 2017. The Company spent over RMB450,000 on renting green plants in the office area of the headquarters.

⁹ Work-related injuries refer to being unable to work due to work-related accidents and are obtained by submitting for work-related injury insurance for the employees of the Company.

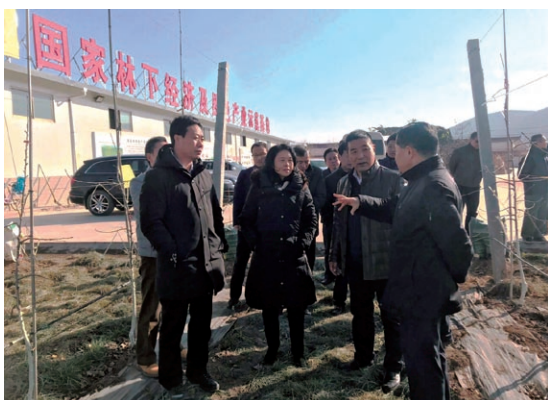
¹⁰ The proportion is based on the headquarters of the Company. 1,220 employees at the headquarters of the Company conducted physical examination (including re-examinations of employees). The actual number of employees of the headquarters of the Company is 1,158 at the end of the year (Some employees resigned after the physical examination).

Social prosperity and practice enterprise missions

Galaxy Securities cares about the interests of all parties in the society. Based on its advantages in principal business and with capitals, volunteers and financial and technical supports and other measures, Galaxy Securities actively participates in social activities and conduct public benefit activities to help the impoverished and return the society.

Targeted poverty alleviation

Galaxy Securities follows the outline of “giving priority to educational poverty alleviation and focusing on industrial poverty alleviation with the support of philanthropic poverty alleviation”. It earnestly gives display to the advantages of an investment bank, actively performs the responsibilities of state-owned enterprises and carefully conducts targeted poverty alleviation to fully serve national major strategies on poverty alleviation.



The Company dispatched 10 inspection groups to Jingning County in Gansu Province, Linxi County in Inner Mongolia, Hetian County in Xinjiang and Zuoquan County in Shanxi Province to conduct inspections on poverty alleviation programs in 2017. Through the inspection on the basic conditions of the economy, industries and current enterprises of impoverished counties and further judgment and communication with relatively mature enterprises, it strives to support the development and expansion of enterprises with the strength of the capital market and focuses on the industrial upgrading of enterprises and the strengthening of the research and development capacities.

Based on inspection results, the Company formulated five-year plans on poverty alleviation, which provides that Galaxy Securities actively conducts capital market services with the demands of real economies in poverty-stricken areas as the orientation through the utilization of capital market resources, the expansion of direct financing channels and improving financing efficiency. It strengthens the integration of blood transfusion and blood making, poverty alleviation and education improvement, the design of programs and local demands, the treatment of symptoms and root as well as the current period and the long term.



Galaxy Securities totally donated RMB37.47 million to the society in 2017, of which subsidiaries and branches donated RMB1.99 million.

Five national-level poverty-stricken counties became targeted poverty alleviation counties of Galaxy Securities in 2017, namely Jingning County in Gansu Province, Linxi County in Inner Mongolia, Daozhen County in Guizhou, Hetian County in Xinjiang and Zuoquan County in Shanxi. Also, Galaxy Securities newly opened two branches in poverty-stricken areas, namely the securities branch in Wanzhou, Chongqing and the securities branch at Genral Zuoquan Road. As of the year end, the Company has established a total of eight branches in national-level poverty-stricken counties (regions), of which local employees accounting for 71.1%.

The Company appropriated a total of RMB33.65 million to the five targeted poverty alleviation counties of the Company and one poverty alleviation county designated by the CSRC in 2017.

China Galaxy Securities Co., Ltd.

Areas of assistance	Type of assistance	Assistance amount (Unit: RMB0'000)	Major uses
Jingning County, Pingliang City, Gansu Province	Targeted poverty alleviation county of the Company	1,250	Galaxy public welfare forest, husbandry and cattle-breeding, apple seed breeding, Galaxy Starlight Education Foundation and other programs
Linxi County, Inner Mongolia Autonomous Region	Targeted poverty alleviation county of the Company	500	Poverty alleviation and medical guarantee fund program
Daozhen County, Guizhou Province	Targeted poverty alleviation county of the Company	440	Drying line for chilies, Sichuan Pepper barns and other programs
Hetian County, Xinjiang Uygur Autonomous Region	Targeted poverty alleviation county of the Company	400	Green environmental protection station, relocation and employment in different regions and other programs
Zuoquan County, Shanxi Province	Targeted poverty alleviation county of the Company	400	Large-scale pigs feeding and agricultural and sideline products processing program
Xixian County, Shanxi Province	Targeted poverty alleviation county designated by the CSRC, a national-level poverty-stricken county led by the Securities Association of China and assisted by the securities industry and an old revolutionary base county	375	Photovoltaic power station program at village level in Xixian County

Educational assistance

Galaxy Securities continued to increase supports to Galaxy primary schools in poverty-stricken areas in 2017. It subsidized seven Galaxy primary schools, namely Jingning in Gansu, Hongsibao in Ningxia, Bingxi in Guizhou, Damxung in Tibet, Arxan in Inner Mongolia, Yongshan in Yunnan and Hetian in Xinjiang. It totally invested RMB1.83 million.



School with donations	Donation amount (RMB0'000)	Major uses
Hetian Galaxy Primary School in Xinjiang	83	Purchasing students' uniforms, photocopiers, printers, portable computers, office desks and chairs and other items
Bingxi Galaxy Primary School in Guizhou	71	Students' canteen, bathrooms, school gates, basketball courts, notebook computers, photocopiers, printers, campus broadcasting and other items
Mingshui Galaxy Primary School in Arxan, Inner Mongolia	29	Ground hardening for basketball courts and table tennis courts, purchasing printers, digital video cameras and other items

Industrial assistance

The Company adjusts measures to local conditions and gives display to the advantages of the industry. It integrates the popularization of financial knowledge with the advancing of inclusive finance, which injects financial “flowing water” into poverty-stricken areas and strengthens the blood-making ability of poverty-stricken areas.

Based on the advantages of local resources and industrial characteristics and through IPO, listing on the NEEQ, governmental bonds, corporate bonds, enterprise bonds, PPP financing and other businesses, Galaxy Securities actively supports and fosters excellent enterprises in poverty-stricken areas for listing, assists the government and enterprises in bonds issuing and explores financing models for the cooperation of the government capitals and social capitals to promote the economic growth and sustainable development in poverty-stricken areas. It makes full use of the “green channels” for enterprises from poverty-stricken areas to conduct IPOs on stock exchanges and list on the NEEQ, improves the candidate enterprises to be listed and help more qualified enterprise conduct financing through the main board, the SME board, the growth enterprise board and the National Equities Exchange and Quotations to improve financing efficiency and reduce financing cost. It actively promotes the listing of leading enterprises on the NEEQ. Currently, the listing of “Demei Diyuan” Company in Jingning County, Gansu Province on the NEEQ is under official implementation. The “insurance plus futures” model of Galaxy Futures under it integrates the agricultural price insurance and agricultural policies in China and explores a new path in the marketization of agricultural products, which lifted cotton farmers in Weixian County, Xingtai City, Hebei Province out of poverty and solved the overall poverty in the area.

Based on the actual conditions of all poverty-stricken counties, Galaxy Securities is considering the possibility of industrial poverty alleviation. It will provide financing services to local poverty alleviation programs and urban construction programs and actively promote investors to invest in local agriculture, tourism, property and other items.



Case: Galaxy Futures' business model of "insurance plus futures" lifted cotton farmers in Weixian County, Xingtai City, Hebei Province out of poverty

After Galaxy Futures successfully cooperated with PICC P&C in the program of the "first eggs policy price insurance in China" in 2016 (the program was awarded the first prize in innovation for financial innovation programs in Qingdao City in 2017 and was reported by China Securities Journal, the Futures Daily and other media in details), it and Galaxy Derivatives Capital Management Company Limited ("Galaxy Derivatives Capital"), a subsidiary of Galaxy Futures, joined PICC and the People's Government of Weixian County, Xingtai City, Hebei Province in initiating the "insurance plus futures" industrial poverty alleviation program benefiting agriculture. Galaxy Futures and Zhengzhou Commodity Exchange officially signed the contract on the pilot cooperation and establishment of "insurance plus futures" in August 2017. PICC and Galaxy Derivatives Capital signed an off-exchange options agreement in September 2017. The insurance amount is RMB1,542,070 and 836 farmers bought the insurance. Based on the provisions of the clauses of the policy, if the cotton futures price reaches the agreed exercise price of cotton in any day during the insurance period, it shall be deemed as the happening of insurance incidents and the insurance company shall be responsible for compensating based on the provisions of the insurance contract. Zhengzhou Commodity Exchange provided capital supports and subsidized most of the premiums of farmers, which reduced the burdens of farmers. Farmers only need to pay few fees to fix the revenue on cotton in advance.

The pilot plan is based on the increase in the global cotton plantation areas and the historical high warehouse stocks. The huge supply of new and stock cotton results in market pressures. It is expected that it will weaken first and strengthen later in the future. It adopts the touch options structure and conducts hedge at fixed time with fixed Delta belt and the changes in assets price as well as other hedge methods and transaction strategies. It may decline during the period and will obtain the maximum revenue even if it recovers later after meeting the conditions. It will improve the insurance experiences and help farmers obtain the fullest interests guarantee. It fixed the losses of cotton farmers on price declines, stimulated the production enthusiasm and increased inputs in cotton plantation.

Talent assistance

The Company actively dispatches cadres with positions retained. In 2017, Galaxy Securities continued to select outstanding young employees as cadres in poverty alleviation with positions retained to work in poverty-stricken areas. It dispatched 1 deputy county chief with the position retained in Jingning County, Gansu Province, dispatched 1 first secretary and working group leader to Houling Village, Yangjiao Town, Zuoquan County, Jinzhong City, Shanxi Province and dispatched 1 cadre to Chenkao Village, Daan Town, Ledong County, Henan Province.

Amount of public welfare funds of Galaxy Securities in 2017 based on types of assistance

Indicators	Unit	2017
Industrial assistance	(RMB10,000)	2,235
Educational assistance	(RMB10,000)	183
Ecological protection assistance	(RMB10,000)	1,130
Assistance in other industries	(RMB10,000)	199.06
Total	(RMB10,000)	3,747.06

Participating in community activities for public benefit

The branches and subsidiaries of Galaxy Securities cover the whole country and Hong Kong SAR. Based on local conditions of the operation place, it has been actively participating in activities for social benefit through conducting donations to non-profit organizations, activities for social benefit and volunteer activities.

Case: Galaxy International returns international community



In order to support public welfare activities and help social groups with needs, Galaxy International prepared corresponding rules on supporting public welfare activities and making donations to charity organizations. Galaxy International donated a total of HK\$700,000 to the Smile Action, the Health Express, the Hong Kong delegation to the 13th National Games, Orbis and Oxfam in 2017.

Besides donations, Galaxy International also actively dispatches employees to participate in various voluntary activities. Six volunteers from Galaxy International and Galaxy Securities Shenzhen branch participated in the "International Smile Action" held by the "Smile Action" in Baoshan City, Yunnan Province in August 2017 and made its contributions to operations on impoverished children. It was widely appraised by all parties.

In addition, Galaxy International arranged employees to attend the returning ceremony of the Hong Kong delegation to the 13th National Games and the annual meeting of the Health Express.



Case: Cangnan Station Avenue Securities Branch initiates the good karma culture themed “Accomplish Great Undertakings with Kindheartedness”



Since the Cangnan Station Avenue Securities Branch of Galaxy Securities initiated the good karma culture themed “Accomplish Great Undertakings with Kindheartedness” on 28 May 2015, it has held 19 charitable activities with the donations and enthusiastic participation of employees. From helping the aged and orphans to assisting in education and poverty-stricken groups, volunteers are at the places with difficulties. The red waistcoat with smiling faces builds bridges to hearts. With their unremitting efforts, the Cangnan Branch of New China Life Insurance, Huarong Branch of the Agricultural Bank of China, Yuanjing education and other social organizations joined the team. Cangnan Station Avenue Securities Branch will continue to stick to the good karma culture in the future.

Promote green development

Under the background with serious climate and environment problems globally, Galaxy Securities actively responds to the call of the state on green development. On the one hand, it strictly abides by the Environmental Protection Law, the Energy Conservation Law and other laws and regulations. It actively advocates the environmental idea in the discharging of emission, energy consumption and green travelling and puts them into action. It always implements green operation in the whole process of the operation and management of the Company. On the other hand, the Company focuses on the development of green finance. It optimizes social resources allocation through financial means to help enterprises cut capacities and transform towards sustainable development and facilitate the development of green industries.

Green operation

The Company is a financial enterprise engaged in business office 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 waste.

The Company established the ESG management indicators system in 2017. Based on certain environmental indicators, it starts to conduct concentrated management on the use of resource and the disposal of emissions at the level of the whole company and collects the environmental data under the caliber of the whole company. It publicizes the ESG management and standardizes the environmental data management of subordinate companies through trainings and establishes the foundation for the environmental management of the Company.

In terms of standardizing green operation, the Company mainly conduct work on the following levels in 2017:

Informatization management



- The Company encourages clients to conduct off-site accounts opening and trading. Only off-site accounts opening saved about 73 tons of paper for accounts opening contracts in 2017.
- The Company advances paperless office with office informatization as the driver.
 - Establishing the OA platform with the integration of real-time archives processing and management
 - Building the conference system covering all branches of the Company
 - Conducting training through online schools of Galaxy

Green procurement



- All of newly decorated office areas adopt green and environmental materials, including plaster, concrete, emulsion paint and environment-friendly oil paint.
- 15,200 brochures of the Company adopted FSC paper for printing in 2017 with a total of 3,268 kilograms.

Saving office resources



- It requires employees recycling single-sides printed paper.
- Bathrooms in the office area are equipped with reclaimed water system to reuse water resource and reduce fresh water consumption.
- It invested RMB420,000 in changing the lighting equipment in the office area of 8,718.54 square meters at the headquarters into LED energy-saving lights. It can save electricity by 50% and save about 116,000 KWH electricity every year.
- Reducing office areas, reducing the waste of idle office areas and improving the utilization efficiency of resources.

Official business vehicles management



- It introduces various systems and rules to manage and control the allocation and use of business vehicles at the headquarters and branches and requires selecting new energy vehicles first in purchasing new vehicles.
- It establishes the record for corresponding vehicles and cards for the use of business vehicles at the headquarters, registers the mileage of business vehicles every month and conducts refine management on oil consumption of vehicles.
- It deepens the reform of business vehicles use, encourages employees to reduce the use of business vehicles, improves the utilization efficiency of vehicles and encourages employees to take public transport means.

Waste management



- It strengthens the recycling of old and outdated electronic equipment, conducts reassembling of recyclable network equipment, electronic equipment and components or donate them to those in need.
- It strengthens the management on printer cartridges and other low-value consumables. The suppliers will collect and dispose them together.
- It appoints third-party professional agencies to be responsible for the classification and concentrated recycling of office waste at the headquarters, including newspaper and magazines, package paper, paper, dry batteries, cartridges as well as other harmful and harmless waste.

The Company saw no significant environmental problems and recorded no lawsuits, significant punishment or non-economic punishment on environmental problems in 2017. The data on major emissions and the use of resources are as follows:

Emissions of Galaxy Securities in 2017

Indicators	Unit	2017
Direct Greenhouse Gas emissions (Scope I)	(tons of CO ₂ equivalent)	1,680.37
Indirect Greenhouse Gas emissions (Scope II) ¹¹	(tons of CO ₂ equivalent)	21,598.26
Total Greenhouse Gas emissions (Scope I + Scope II)	(tons of CO ₂ equivalent)	23,278.63
Greenhouse Gas emissions per office area	(tons of CO ₂ equivalent/m ²)	0.07
Per capita emissions of Greenhouse Gas	(tons of CO ₂ equivalent/person)	2.31
Discharge of harmless waste (office waste discharge) ¹²	(ton)	402.84
Total discharge of domestic sewage ¹³	(0'000 ton)	21.13

Resources consumption of Galaxy Securities in 2017

Indicators	Unit	2017
Total office power consumption	(MWh)	31,280.05
Per capita office power consumption	(MWh/person)	3.10
Power consumption per unit office area	(kWh/m ²)	90.85
Total gasoline consumption	(0'000 liter)	728.85
Total diesel consumption	(liter)	6,653.98
Natural gas consumption	(0'000 m ³)	3.12
Comprehensive energy consumption	(tons of standard coal)	4,617.63
Per capita comprehensive energy consumption	(tons of standard coal/person)	0.46
Comprehensive energy consumption per unit office area	(tons of standard coal/m ²)	0.01
Total water consumption	(0'000 ton)	23.91
Water consumption per unit area	(ton/m ²)	0.69
Water consumption per capita	(ton/person)	23.68
Total office copy paper consumption	(ton)	164.18
Per capita office copy paper consumption	(kg/person)	16.25

¹¹ Calculated using the emission factor of China regional power grid for 2015, and did not include Tibet and Hong Kong, as these two regions not covered by such power grid only accounted for a minimal proportion of electricity consumed by the Company.

¹² Estimated based on average monthly data.

¹³ Estimated using the sewage coefficient of 0.85 with reference to the National Standard Specifications for Urban Drainage Project Planning.


Promoting green finance

As an executive member of the Green Financial Committee under the China Society for Finance and Banking, Galaxy Securities actively advocates and promote green finance and participates in the preparation of various industrial standards and various work on promoting market development. It integrates them with the specific business of the Company and focuses on green bonds in the innovation in corporate bond businesses. It actively explores the underwriting of green bonds with the purpose to indirectly protect natural environment and ecological resources through promoting the development of green programs. It also made active attempts in promoting the healthy and orderly development of green industries, serving green enterprises and establishing green financial systems. Galaxy Securities issued 6 green bonds with an aggregate offering amount of RMB3.5 billion in 2017.



Case: First phase of green financial bonds of a bank in 2017

The first phase of green financial bonds of a bank in 2017 with Galaxy Securities as the joint lead underwriter was successfully issued in April 2017 with a total issuing amount of RMB5 billion. The proceeds are used in green industrial programs. The successful issuing of the bonds will promote the business expansion of the bank in the future. It further expands financing channels and promotes the overall coordinated and sustainable development of energy and the economy, society and ecology.



Case: First phase of green medium-term bills of a metro group in 2017

The first phase of green medium-term bills of a metro group in 2017 with Galaxy Securities leading the underwriting was successfully issued in June 2017 with a total issuing amount of RMB2 billion. The proceeds are used in the urban rail transit construction program in a city. The successful issuing of the bonds will effectively promote the construction of urban rail transit in the city. It further expanded financing channels of the metro group and is significant in achieving the urban development targets in clean traffic, green travelling, energy saving and emission reduction.



Case: Green corporate bonds of a new town development and construction (group) company in 2017

The green corporate bonds of a new town development and construction (group) company in 2017 solely underwritten by Galaxy Securities were issued by bookbuilding in August 2017 with an size of RMB1.5 billion. The proceeds are mainly used in the construction of a comprehensive new energy program on green city in a new town. The establishment of the program will significantly reduce environment pollution, improve the living environment and promote the application of green energy technologies in the new town. The issuing of the bonds is a successful example in the integration of green urban development and financial innovation, which is of demonstration and leading significance in the issuing of green bonds by other urban investment companies in China.

Appendix

Social organizations joined by Galaxy Securities

Name of social organization	Position
 Green Financial Committee under the China Society for Finance and Banking	Executive council member
 National Debt Association of China	Executive council member of the fifth session of board of governor
 Securities Association of China	Executive council member
 Securities Association of Beijing	Vice-chairman
 China Securities Regulatory Commission	Member
 China Institute of Internal Audit	Group member
 China Computer Users Association	Vice-chairman
 Listed Companies Association of Beijing	Member
 Hong Kong Institute of Chartered Secretaries	Joint member
 China State Finance Magazine	Council member
 Shanghai Gold Exchange	Special member (securities companies)
 Banking Accounting Society of China	Vice-chairman
 Beijing Financial Street Chamber of Commerce	Council member
 Capital Financial Service Chamber of Commerce	Council member
 Asset Management Association of China	Member
 Insurance Asset Management Association of China	Joint member
 National Debt Association of China	Executive council member
 Asian Financial Cooperation Association	Council member
 National Association of Financial Market Institutional Investors	Member

Social recognition in 2017



February

- On 13 February, SSE released the rating results of fund liquidity service providers in 2016 and the Company was awarded the only “excellent” rating.
- On 13 February, SSE released the annual evaluation on investors education and protection activities with the theme of “Being a Rational Investor”. The Company was awarded the “Outstanding Organization Award” and the “Best Organization Award for I am a Shareholder”. The Stock Market in 2016 submitted by the Company was awarded the “most popular open course of chief economists among investors” and the “best open course of chief economists among investors”.



March

On 16 March, the 2017 Exchange of Strategies on National Debts and Futures held by the CFFEX rewarded institutes with regulatory activities and active participation in the 2016 national debts and futures market and playing active, leading and demonstration roles in improving the influence of the national debts and futures market and promoting the functions of national debts and futures. The Company was awarded the “Best Progress Award” in the selection of outstanding teams participating in national debts and futures in 2016.



April

- In April, the Company received the Circular on Rewarding Members with Outstanding Contributions to the Shenzhen-Hong Kong Stock Connect (SZH [2017] No. 80) issued by SZSE. 15 members, including the Company, were awarded the “Outstanding Contribution Award in Shenzhen-Hong Kong Stock Connect” for outstanding contributions in technical testing, the preparation of business plans and market organizing during the preparation and operation of the Shenzhen-Hong Kong Stock Connect.
- On 18 April, the Company was rewarded the “Top 100 Hong Kong Stocks in 2016” at the award ceremony of the selection of “Top 100 Hong Kong Stocks” jointly held by Finet and Tencent.



August

On 2 August, Securities Times and Talking Data, a third-party mobile data service platform, jointly released the insight report and list of WeChat official accounts of securities companies in the first half of 2017. The Company ranked first in three lists among the four lists with 52 dominant securities companies and ranked first in the total list with a comprehensive score of 91.06 points.



November

- In November, the “Investoday” released the list of best securities analysts in China in the 2017 (& 2016) “Tianyan”. The military engineering, pharmaceutical and other research teams at the research institute won the prize. The military engineering team (with Ju Houlin and other members) ranked the second in the national defence and military engineering industry in the list of analysts with most accurate profit forecast on the industry. The pharmaceutical team (with Li Pingzhu and other members) ranked the third in the list of best analysts on stocks selection.



December

On 7 December, the Company was awarded the “Mainland Securities Company with Outstanding Services in Hong Kong Stock Connect” at the annual “2017 Hong Kong Exchanges Market Data Forum and Award Ceremony” held by the HKEx.

Independent Assurance Report

To the Board of Directors of China Galaxy Securities Co., Ltd (the "Board of Directors"):

We have been engaged by the Board of Directors of China Galaxy Securities Co., Ltd ("CGS") to perform a limited assurance engagement on its 2017 Social Responsibility Report ("the Report") for the period from 1 January 2017 to 31 December 2017.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing the Report in accordance with Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") issued by Hong Kong Stock Exchange, and its presentation (including reporting guidelines, limitations, reporting data and relevant identification procedures).

The Board of Directors is also responsible for determining CGS's objectives in respect of ESG performance and reporting, including identifying stakeholders and relevant material issues, establishing and maintaining appropriate performance management system and internal control system for obtaining performance information in the Report, and maintaining sufficient records.

Our Responsibilities

In accordance with the agreed terms with CGS, we are responsible for performing a limited level of assurance engagement on selected data and performance claims ("the Subject Matter Information") in the Report, and expressing a conclusion on the Subject Matter Information. Our work is only for the Board of Directors, and for no other purposes. We do not assume responsibility or accept liability to any other person or third party for our work or the contents of this report.

Our Independence and Quality Control

We conducted our engagement in accordance with the independence and other ethical requirements in the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. We maintains a comprehensive system of quality control applying International Standard on Quality Control 1.

Basis of Our Work

We conducted our work in accordance with International Standard on Assurance Engagements 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Federation of Accountants. We planned and performed our engagement to obtain all the information and evidences which we considered necessary to form conclusions.

Procedures, Scopes and Limitations of Our Work

Our work performed includes interviewing personnel responsible for the Report, analysing information, and other steps to collect evidences. Specifically our procedures include:

- Interviewing staff responsible for the selected data and performance claims, to understand the process for determining the key stakeholders and material issues, and applicable controls.
- Assessing the inclusion of the Subject Matter Information in the Report against requirements of the ESG Reporting Guide, and comparing the sampled original documents from Headquarter with the statements in the Report.
- Establishing the Subject Matter Information and assurance standard to perform this limited assurance engagement with CGS on the Report.
- Analyzing sampled data and performance claims, reviewing its consistency with our work results, and Assessing the effectiveness of the control on the Report preparation procedure.

The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement and therefore a lower level of assurance is provided. Our work performed is not for the purpose of expressing an opinion on the effectiveness of CGS's internal control.

We performed our limited assurance engagement at headquarter of CGS. We did not carry out such engagement at any other branches and subsidiaries of CGS, nor interview with external stakeholders. Moreover, historical data and information beyond the Subject Matter Information are not within the scope of our work.

Our Conclusions

Based on our work performed, nothing has come to our attention that would lead us to believe that there is any material misstatement related to the Subject Matter Information in the Report.

This is translation of the Chinese language version of the Independent Assurance Report. If there is any conflict between the Chinese and English version, the Chinese version will prevail.

Deloitte Touche Tohmatsu Certified Public Accountants LLP

28 March 2018



Galaxy Securities ESG Index Table

Subject Areas, Aspects, General Disclosures and KPIs		Location in the Report
A: Environmental		
Aspect A1: Emissions		
General Disclosure		Social prosperity and practice enterprise missions – Promote green development
A1.1	The types of emissions and respective emissions data	Social prosperity and practice enterprise missions – Promote green development – Emissions of Galaxy Securities in 2017
A1.2	Greenhouse gas emissions in total (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility.)	Social prosperity and practice enterprise missions – Promote green development – Emissions of Galaxy Securities in 2017
A1.3	Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	As the Company is an office-type enterprise, all hazardous wastes are collected by third parties. The related statistics are being improved.
A1.4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Social prosperity and practice enterprise missions – Promote green development – Emissions of Galaxy Securities in 2017
A1.5	Description of measures to mitigate emissions and results achieved.	Social prosperity and practice enterprise missions – Promote green development – Green operation
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Social prosperity and practice enterprise missions – Promote green development – Green operation
Aspect A2: Use of Resources		
General Disclosure		Social prosperity and practice enterprise missions – Promote green development
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in 000s) and intensity (e.g. per unit of production volume, per facility).	Social prosperity and practice enterprise missions – Promote green development – Resources consumption of Galaxy Securities in 2017
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Social prosperity and practice enterprise missions – Promote green development – Resources consumption of Galaxy Securities in 2017
A2.3	Description of energy use efficiency initiatives and results achieved.	Social prosperity and practice enterprise missions – Promote green development – Green operation
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water that is fit for purpose, water efficiency initiatives and results achieved.	Social prosperity and practice enterprise missions – Promote green development – Green operation
A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	Not applicable
Aspect A3: Environment and Natural Resources		
General Disclosure		Social prosperity and practice enterprise missions – Promote green development – Promoting green finance

Subject Areas, Aspects, General Disclosures and KPIs		Location in the Report
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Social prosperity and practice enterprise missions – Promote green development – Promoting green finance
B: Social		
Aspect B1: Employment		
General Disclosure		Putting staff first and improving talent system – Staff employment
B1.1	Total workforce by gender, employment type, age group and geographical region.	Putting staff first and improving talent system – Staff employment
B1.2	Employee turnover rate by gender, age group and geographical region.	Not disclosed
Aspect B2: Health and Safety		
General Disclosure		Putting staff first and improving talent system – Working environment
B2.1	Number and rate of work-related fatalities	Putting staff first and improving talent system – Working environment
B2.2	Lost days due to work injury.	Putting staff first and improving talent system – Working environment
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Putting staff first and improving talent system – Working environment
Aspect B3: Development and Training		
General Disclosure		Putting staff first and improving talent system – Employees' training
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Putting staff first and improving talent system – Employees' training
B3.2	The average training hours completed per employee by gender and employee category.	Not disclosed
Aspect B4: Labor Standards		
General Disclosure		Putting staff first and improving talent system – Employees' rights
B4.1	Description of measures to review employment practices to avoid child and forced labor.	Putting staff first and improving talent system – Staff employment
B4.2	Description of steps taken to eliminate such practices when discovered.	Putting staff first and improving talent system – Employees' rights
Aspect B5: Supply Chain Management		
General Disclosure		Shareholders' satisfaction and maintaining market stability – Legal compliance operation – Compliance procurement
B5.1	Number of suppliers by geographical region.	Shareholders' satisfaction and maintaining market stability – Legal compliance operation – Compliance procurement
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Shareholders' satisfaction and maintaining market stability – Legal compliance operation – Compliance procurement
Aspect B6: Product Responsibility		
General Disclosure		Customer first, intensifying financial services

Subject Areas, Aspects, General Disclosures and KPIs		Location in the Report
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
B6.2	Number of products and service related complaints received and how they are dealt with.	Customer first, intensifying financial services – Respond to customer feedback
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not disclosed
B6.4	Description of quality assurance process and recall procedures.	Not applicable
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Shareholders' satisfaction and maintaining market stability – Guarantee safety in transactions
Aspect B7: Anticorruption		
General Disclosure		Shareholders' satisfaction and maintaining market stability – Legal compliance operation
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Shareholders' satisfaction and maintaining market stability – Legal compliance operation
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Shareholders' satisfaction and maintaining market stability – Legal compliance operation
Aspect B8: Community Investment		
General Disclosure		Social prosperity and practice enterprise missions
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Social prosperity and practice enterprise missions – Targeted poverty alleviation/Educational assistance/Industrial assistance/Talent assistance
B8.2	Resources contributed (e.g. money or time) to the focus area.	Social prosperity and practice enterprise missions – Targeted poverty alleviation/Educational assistance/Industrial assistance/Talent assistance

Feedback Sheet

Galaxy Securities has taken into consideration the interests and requirements of different stakeholders as much as possible in the compilation of the report, and strive to make it plain, clear and easy to read. Readers are welcome to proposing opinions and suggestions to this report and the corporate and social responsibilities reporting of the Company by filling in the Feedback Sheet. If you have any opinions and suggestions to the performing of corporate and social responsibilities by the Company, please give us feedback through the following channels:

Fax: (8610) 66568532

E-mail: esg@chinastock.com.cn

Mailing address: President's Office, China Galaxy Securities Co., Ltd., Tower C, Corporate Square, 35 Finance Street, Xicheng District, Beijing, PRC, 100033

1. Which of the following stakeholder types applies to you?

- ☐ Our shareholder and investor
- ☐ Our customer
- ☐ Our supplier and partner
- ☐ Our staff
- ☐ Governmental organization (non-regulatory)
- ☐ Regulatory authority
- ☐ Stock exchange
- ☐ Public
- ☐ Others

2. What is your overall impression of our Social Responsibility Report for 2017?

- ☐ Excellent ☐ Good ☐ Fair ☐ Poor

3. Please rate the content and quality of our Social Responsibility Report for 2017 in the following areas:

Clarity: ☐ Excellent ☐ Good ☐ Fair ☐ Poor

Credibility: ☐ Excellent ☐ Good ☐ Fair ☐ Poor

Importance: ☐ Excellent ☐ Good ☐ Fair ☐ Poor

Organization: ☐ Excellent ☐ Good ☐ Fair ☐ Poor

Design and layout: ☐ Excellent ☐ Good ☐ Fair ☐ Poor

4. Please rate our fulfilment of social responsibilities at the economic level:

- ☐ Excellent ☐ Good ☐ Fair ☐ Poor

5. Please rate our fulfilment of social responsibilities at the environmental level:

- ☐ Excellent ☐ Good ☐ Fair ☐ Poor

6. Please rate our fulfilment of social responsibilities at the social level:

- ☐ Excellent ☐ Good ☐ Fair ☐ Poor

7. Your suggestions on our performance and reporting of social responsibilities:



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For more information, please refer to :

更多資訊請參閱 :

