
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Galaxy Securities Co., Ltd., you should at once hand this circular and the accompanying form of proxy and reply slip of the Annual General Meeting to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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中国银河证券股份有限公司
CHINA GALAXY SECURITIES CO., LTD.

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

REPORT OF THE BOARD OF DIRECTORS FOR 2017
REPORT OF THE SUPERVISORY COMMITTEE FOR 2017
2017 ANNUAL REPORT
FINAL ACCOUNTS REPORT FOR 2017
PROFIT DISTRIBUTION PLAN FOR 2017
CAPITAL EXPENDITURE BUDGET FOR 2018
RE-APPOINTMENT OF THE EXTERNAL AUDITING FIRMS OF THE
COMPANY FOR 2018
DUTY REPORT OF THE INDEPENDENT DIRECTORS FOR 2017
AND
NOTICE OF ANNUAL GENERAL MEETING

A notice convening the Annual General Meeting of China Galaxy Securities Co., Ltd. to be held at Donghua Hall, 11th Floor, Beijing Minzu Hotel, No. 51 Fuxingmen Inner Street, Xicheng District, Beijing, the PRC, on Tuesday, 26 June 2018 at 10:00 a.m. is set out on pages 9 to 11 of this circular.

If you intend to appoint a proxy to attend the AGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to Computershare Hong Kong Investor Services Limited (for H Shareholders) and the Office of the Board of Directors of the Company (for A Shareholders) not less than 24 hours (i.e. no later than 10:00 a.m. on 25 June 2018) before the time appointed for holding the AGM or any adjournment thereof in person or by post. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof if you so wish.

If you intend to attend the AGM in person or by proxy, please complete the enclosed reply slip and return the same to Computershare Hong Kong Investor Services Limited (for H Shareholders) and the Office of the Board of Directors of the Company (for A Shareholders) on or before Tuesday, 5 June 2018.

11 May 2018

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“A Share(s)”	domestic share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the Shanghai Stock Exchange and traded in RMB
“A Shareholder(s)”	holder(s) of A Shares
“AGM” or “Annual General Meeting”	the annual general meeting of the Company to be held at Donghua Hall, 11th Floor, Beijing Minzu Hotel, No. 51 Fuxingmen Inner Street, Xicheng District, Beijing, the PRC on Tuesday, 26 June 2018 at 10:00 a.m.
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board” or “Board of Directors”	the board of Directors of the Company
“Company”	China Galaxy Securities Co., Ltd., a joint stock company with limited liability incorporated in the PRC on 26 January 2007, whose H Shares are listed on the Stock Exchange (Stock Code: 6881) and A Shares are listed on the Shanghai Stock Exchange (Stock Code: 601881)
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Galaxy International Holdings”	China Galaxy International Financial Holdings Company Limited (中國銀河國際金融控股有限公司), a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Company
“Galaxy Jinhui”	Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金匯證券資產管理有限公司), a company incorporated in the PRC with limited liability, a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the Stock Exchange and traded in Hong Kong dollars

DEFINITIONS

“H Shareholder(s)”	holder(s) of H Shares
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Director(s)” or “Independent Non-executive Director(s)”	independent non-executive director(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“PRC” or “China”	the People’s Republic of China, but for the purposes of this circular only, excluding Hong Kong, Macau Special Administrative Region and Taiwan region
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company, including A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company

In case of any discrepancy between the Chinese version and the English version of this circular, the Chinese version shall prevail.

LETTER FROM THE BOARD



中国银河证券股份有限公司
CHINA GALAXY SECURITIES CO., LTD.

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

The Board of Directors:

Executive Directors:

Mr. CHEN Gongyan (*Chairman*)

Mr. GU Weiguo

(*Vice Chairman and President*)

Mr. WU Chengming

Non-executive Directors:

Mr. DU Ping

Mr. SHI Xun

Mr. LIU Dingping

Mr. LI Chaoyang

Independent Non-executive Directors:

Mr. WANG Zhenjun

Mr. LUO Lin

Mr. WU Yuwu

Mr. LIU Ruizhong

Registered Office and

Head Office in the PRC:

2-6/F, Tower C, Corporate Square

35 Finance Street

Xicheng District, Beijing, the PRC

Principal Place of Business in

Hong Kong:

20th Floor, Wing On Centre

111 Connaught Road Central

Sheung Wan, Hong Kong

11 May 2018

To the Shareholders

Dear Sir or Madam,

INTRODUCTION

On behalf of the Board of Directors, I invite you to attend the AGM to be held at Donghua Hall, 11th Floor, Beijing Minzu Hotel, No. 51 Fuxingmen Inner Street, Xicheng District, Beijing, the PRC on Tuesday, 26 June 2018 at 10:00 a.m.

The purpose of this circular is to provide you with the notice of the AGM and the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the AGM.

LETTER FROM THE BOARD

BUSINESS TO BE CONSIDERED AT THE AGM

Ordinary resolutions will be proposed at the AGM to approve: (1) the report of the Board of Directors for 2017; (2) the report of the Supervisory Committee for 2017; (3) the 2017 annual report; (4) the final accounts report for 2017; (5) the profit distribution plan for 2017; (6) the capital expenditure budget for 2018; and (7) the re-appointment of the external auditing firms of the Company for 2018.

The matter to be proposed at the AGM for Shareholders' review is: (8) the duty report of the Independent Directors for 2017.

Ordinary Resolutions:

1. Report of the Board of Directors for 2017

The report of the Board of Directors for 2017 was considered and approved by the Board on 28 March 2018 and is hereby proposed at the AGM for Shareholders' consideration and approval, details of which are set out in Appendix I to this circular.

2. Report of the Supervisory Committee for 2017

The report of the Supervisory Committee for 2017 was considered and approved by the Supervisory Committee on 28 March 2018 and is hereby proposed at the AGM for Shareholders' consideration and approval, details of which are set out in Appendix II to this circular.

3. 2017 Annual Report

The 2017 annual report was considered and approved by the Board on 28 March 2018 and is hereby proposed at the AGM for Shareholders' consideration and approval. The annual report has been published on the HKExnews website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.chinastock.com.cn), and has been despatched to the Shareholders.

4. Final Accounts Report for 2017

The final accounts report for 2017 was considered and approved by the Board on 28 March 2018 and is hereby proposed at the AGM for Shareholders' consideration and approval. For details of the final accounts report, please refer to the financial statements in the Company's annual report for 2017.

5. Profit Distribution Plan for 2017

- (1) As audited and confirmed by the auditors, the Company recorded a net profit of RMB3,540,969,721.81 and net profit attributable to owners of the Company of RMB3,980,730,433.74 for 2017. In accordance with the relevant requirements

LETTER FROM THE BOARD

of the “Company Law”, the “Securities Law” and the “Financial Rules for Financial Enterprises” (《金融企業財務規則》) of the PRC, as well as the Articles of Association, after making 10% allocations, being a total of RMB1,062,290,916.54, to the statutory surplus reserve, the general risk reserve and the transaction risk reserve respectively, the profit available for distribution to the Shareholders for 2017 is RMB2,478,678,805.27.

(2) Taking into account its long-term development and the interests of its Shareholders, the Company proposed the profit distribution plan for 2017 as follows:

(a) The Company proposed to distribute a cash dividend of RMB1,216,471,050.84 (tax inclusive) for 2017 (the “**2017 Final Dividend**”), representing 49.08% of the profit available for distribution to the Shareholders for 2017 and 30.56% of the net profit attributable to owners of the Company for 2017. Based on the Company’s total number of issued Shares of 10,137,258,757 Shares as at 31 December 2017, a cash dividend of RMB1.20 (tax inclusive and the actual amount distributed may be slightly different due to rounding) for every 10 Shares is proposed to be distributed. In case of any changes in the total number of issued Shares of the Company on the record date (namely 5 July 2018) as a result of placing or repurchase, the amount of cash dividend per Share will be adjusted accordingly based on the total amount of RMB1,216,471,050.84 (tax inclusive).

(b) The 2017 Final Dividend will be denominated and declared in RMB, and paid in RMB and in HK dollars to A Shareholders and H Shareholders, respectively. The actual amount distributed in HK dollars will be calculated based on the average benchmark exchange rate for conversion between RMB and HK dollar announced by the People’s Bank of China for the five working days prior to the date of the AGM.

The above profit distribution plan for 2017 was considered and approved by the Board on 28 March 2018 and is hereby proposed at the AGM for Shareholders’ consideration and approval.

For the purpose of determining the entitlement of H Shareholders to the 2017 Final Dividend, the H Share register of members of the Company will be closed from Saturday, 30 June 2018 to Thursday, 5 July 2018 (both days inclusive), during which period no transfer of H Shares will be registered. H Shareholders whose names appear on the H Share register of members of the Company on Thursday, 5 July 2018 are entitled to the 2017 Final Dividend. In order to be entitled to receive the 2017 Final Dividend, all Share certificates,

LETTER FROM THE BOARD

together with the instruments of transfers, must be lodged for registration with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders) at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Friday, 29 June 2018. The last trading day for H Shares of the Company before ex-dividend will be Wednesday, 27 June 2018, and trading of ex-dividend H Shares shall commence on Thursday, 28 June 2018.

The 2017 Final Dividend (if approved by Shareholders of the Company at the AGM) is expected to be distributed on Thursday, 23 August 2018 to H Shareholders whose names appear on the H Shares register of members of the Company on Thursday, 5 July 2018.

As for the distribution of the 2017 Final Dividend to the A Shareholders, the record date is Thursday, 5 July 2018, the ex-dividend date and the dividend distribution date are Friday, 6 July 2018. The Company will announce separately on the Shanghai Stock Exchange details of the arrangement regarding the distribution of the 2017 Final Dividend to its A Shareholders.

For Hong Kong investors (including enterprises and individuals) investing in the Company's A Shares via the Shanghai Stock Connect Program, the 2017 Final Dividend will be distributed in RMB by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to the account of the nominee holding such A Shares. The record date, the dividend distribution date and other arrangements for investors via the Shanghai Stock Connect Program will be the same as those for the Company's A Shareholders.

For Mainland investors (including enterprises and individuals) investing in the Company's H Shares via the Hong Kong Stock Connect Program, the Shanghai Branch and the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the H Shareholders for investors via the Hong Kong Stock Connect Program, will receive the 2017 Final Dividend distributed in RMB by the Company and distribute such 2017 Final Dividend to the relevant investors of H Shares through its depository and clearing system. The record date, the dividend distribution date and other arrangements for investors via the Hong Kong Stock Connect Program will be the same as those for the Company's H Shareholders.

6. Capital Expenditure Budget for 2018

Taking into account the requirements of strategic planning of the Company, and according to its plans for information technology development and construction of branches as well as its needs for operation and management, the Company intends to make capital expenditure amounting to RMB500 million, which will be primarily used for procurement of electronic equipment, purchase of software, purchase of business premises for operation purpose by branches and expenses for decoration, renovation and relocation of new business premises. Among them, as for purchase of business premises for operation purpose by branches, the purchase will be only made when any obviously favorable opportunity arises on the market, such as the case in which the price is substantially lower than market price.

LETTER FROM THE BOARD

The above capital expenditure budget for 2018 was considered and approved by the Board on 28 March 2018 and is hereby proposed at the AGM for Shareholders' consideration and approval.

7. Re-appointment of the External Auditing Firms of the Company for 2018

Deloitte Touche Tohmatsu CPA Ltd. (Special General Partnership) and Deloitte Touche Tohmatsu are proposed to be re-appointed as the external auditing firms of the Company for 2018 to provide related auditing and review services in accordance with the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively. The external auditing fees for 2018 will be RMB6.10 million, including the agreed-upon procedure fees for A Shares for the first quarter and the third quarter in the amount of RMB0.50 million, the fees for review of A Share and H Share interim reports in the amount of RMB1.50 million and the fees for the audit work of A Share and H Share annual reports in the amount of RMB3.10 million (which included annual internal auditing fees of RMB0.35 million), and relevant auditing service fees were RMB1.00 million.

The above resolution was considered and approved by the Board on 26 April 2018 and is hereby proposed at the AGM for Shareholders' consideration and approval.

To Receive the Relevant Report:

8. Duty Report of the Independent Directors for 2017

The duty report of the Independent Directors for 2017 will be submitted to the AGM for Shareholders' review but no Shareholders' approval is required. Details of the report are set out in Appendix III to this circular for Shareholders' information.

THE AGM

The form of proxy and the reply slip of the AGM are enclosed herewith.

If you intend to appoint a proxy to attend the AGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to Computershare Hong Kong Investor Services Limited (for H Shareholders) and the Office of the Board of Directors of the Company (for A Shareholders) not less than 24 hours (i.e. no later than 10:00 a.m. on 25 June 2018) before the time appointed for holding the AGM or any adjournment thereof in person or by post. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof if you so wish.

If you intend to attend the AGM in person or by proxy, please complete the enclosed reply slip and return the same to Computershare Hong Kong Investor Services Limited (for H Shareholders) and the Office of the Board of Directors of the Company (for A Shareholders) on or before Tuesday, 5 June 2018.

LETTER FROM THE BOARD

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. As such, the chairman of the AGM will exercise his power under the Articles of Association to demand a poll for all resolutions proposed at the AGM.

RECOMMENDATION

The Board considers that all resolutions proposed at the AGM are in the interests of the Company and its Shareholders as a whole. As such, the Board recommends you to vote in favour of all resolutions proposed at the AGM.

Yours faithfully,
By Order of the Board
China Galaxy Securities Co., Ltd.
Chen Gongyan
Chairman

NOTICE OF ANNUAL GENERAL MEETING



中国银河证券股份有限公司
CHINA GALAXY SECURITIES CO., LTD.

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (the “AGM”) of China Galaxy Securities Co., Ltd. (the “Company”) will be held at Donghua Hall, 11th Floor, Beijing Minzu Hotel, No. 51 Fuxingmen Inner Street, Xicheng District, Beijing, the PRC on Tuesday, 26 June 2018 at 10:00 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. To consider and approve the report of the board of directors of the Company for 2017;
2. To consider and approve the report of the supervisory committee of the Company for 2017;
3. To consider and approve the 2017 annual report of the Company;
4. To consider and approve the final accounts report of the Company for 2017;
5. To consider and approve the profit distribution plan of the Company for 2017;
6. To consider and approve the capital expenditure budget of the Company for 2018;
7. To consider and approve the re-appointment of the external auditing firms of the Company for 2018; and

TO RECEIVE THE RELEVANT REPORT

8. To receive the duty report of the independent directors for 2017.

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

Beijing, the PRC, 11 May 2018

Notes:

1. Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by poll. As such, each of the resolutions set out in the notice of AGM will be voted by poll. Results of the poll voting will be published on the Company's website at www.chinastock.com.cn and the HKExnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk after the AGM.

NOTICE OF ANNUAL GENERAL MEETING

2. Any shareholder entitled to attend and vote at the AGM convened by the above notice is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy needs not to be a shareholder of the Company.
3. In order to be valid, the form of proxy together with the notarized power of attorney or other documents of authorization, if any, must be completed and returned to the Office of the Board of Directors of the Company (for A Shareholders) or the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited (for H Shareholders), not less than 24 hours (i.e. no later than 10:00 a.m. on 25 June 2018) before the time appointed for holding the AGM or any adjournment thereof. Computershare Hong Kong Investor Services Limited is located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the AGM or any adjournment thereof should he/she so wish.
4. The H Share register of members of the Company will be closed, for the purpose of determining the entitlement of H Shareholders to attend the AGM, from Saturday, 26 May 2018 to Tuesday, 26 June 2018 (both days inclusive), during which period no transfer of H Shares will be registered. In order to attend the AGM, all share certificates, together with the instruments of transfers, must be lodged for registration with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders) at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Friday, 25 May 2018.

The Company will announce separately on the Shanghai Stock Exchange details of A Shareholders' eligibility for attending the AGM.

5. The Company proposed to distribute a cash dividend of RMB1,216,471,050.84 (tax inclusive) for 2017 (the "2017 Final Dividend"). Based on the Company's total number of issued Shares of 10,137,258,757 Shares as at 31 December 2017, a cash dividend of RMB1.20 (tax inclusive and the actual amount distributed may be slightly different due to rounding) for every 10 Shares is proposed to be distributed. In case of any changes in the total number of issued Shares of the Company on the record date (namely 5 July 2018) as a result of placing or repurchase, the amount of cash dividend per Share will be adjusted accordingly based on the total amount of RMB1,216,471,050.84 (tax inclusive).

The 2017 Final Dividend will be denominated and declared in RMB, and paid in RMB and in HK dollars to A Shareholders and H Shareholders, respectively. The actual amount distributed in HK dollars will be calculated based on the average benchmark exchange rate for conversion between RMB and HK dollar announced by the People's Bank of China for the five working days prior to the date of the AGM.

For the purpose of determining the entitlement of H Shareholders to the 2017 Final Dividend, the H Share register of members of the Company will be closed from Saturday, 30 June 2018 to Thursday, 5 July 2018 (both days inclusive), during which period no transfer of H Shares will be registered. H Shareholders whose names appear on the H Share register of members of the Company on Thursday, 5 July 2018 are entitled to the 2017 Final Dividend. In order to be entitled to receive the 2017 Final Dividend, all Share certificates, together with the instruments of transfers, must be lodged for registration with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders) at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Friday, 29 June 2018. The last trading day for H Shares of the Company before ex-dividend will be Wednesday, 27 June 2018, and trading of ex-dividend H Shares shall commence on Thursday, 28 June 2018.

The 2017 Final Dividend (if approved by Shareholders of the Company at the AGM) is expected to be distributed on Thursday, 23 August 2018 to H Shareholders whose names appear on the H Shares register of members of the Company on Thursday, 5 July 2018.

As for the distribution of the 2017 Final Dividend to the A Shareholders, the record date is Thursday, 5 July 2018, the ex-dividend date and the dividend distribution date are Friday, 6 July 2018. The Company will announce separately on the Shanghai Stock Exchange details of the arrangement regarding the distribution of the 2017 Final Dividend to its A Shareholders.

NOTICE OF ANNUAL GENERAL MEETING

For Hong Kong investors (including enterprises and individuals) investing in the Company's A Shares via the Shanghai Stock Connect Program, the 2017 Final Dividend will be distributed in RMB by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to the account of the nominee holding such A Shares. The record date, the dividend distribution date and other arrangements for investors via the Shanghai Stock Connect Program will be the same as those for the Company's A Shareholders.

For Mainland investors (including enterprises and individuals) investing in the Company's H Shares via the Hong Kong Stock Connect Program, the Shanghai Branch and the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the H Shareholders for investors via the Hong Kong Stock Connect Program, will receive the 2017 Final Dividend distributed in RMB by the Company and distribute such 2017 Final Dividend to the relevant investors of H Shares through its depository and clearing system. The record date, the dividend distribution date and other arrangements for investors via the Hong Kong Stock Connect Program will be the same as those for the Company's H Shareholders.

6. Where there are joint holders of any shares, the one whose name stands first in the register of members shall be entitled to attend and vote at the AGM in respect of such shares.
7. Shareholders intending to attend the AGM in person or by their proxies should return the reply slip for attending the AGM in person or by post to the Office of the Board of Directors of the Company (for A Shareholders) or the Company's H Share registrar, Computershare Hong Kong Investors Services Limited (for H Shareholders) on or before Tuesday, 5 June 2018. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
8. Shareholder or his/her proxy shall produce proof of identity when attending the AGM:
 - (1) Legal representatives of legal person shareholders who attend the meeting shall produce their own identity cards and effective proof of their capacity as legal representatives. Proxies of legal person shareholders shall produce their own identity cards and the form of proxy duly signed by the legal representatives or the board of directors or other governing body of the legal person shareholders according to laws; and
 - (2) Individual shareholders who attend the meeting in person shall produce their identity cards or other effective document or proof of identity and stock account cards. Proxies of individual shareholders shall produce effective proof of identity and form of proxy.
9. The AGM is expected to be held for less than half a day. Shareholders who attend the meeting in person or by proxy shall bear their own travelling and accommodation expenses.
10. The Office of the Board of Directors of the Company is located at Tower C, Corporate Square, 35 Finance Street, Xicheng District, Beijing, the PRC

Tel: 86 (10) 6656 8888

Fax: 86 (10) 6656 8640

As at the date of this notice, the executive directors of the Company are Mr. CHEN Gongyan (Chairman), Mr. Gu Weiguo (Vice Chairman) and Mr. WU Chengming; the non-executive directors are Mr. DU Ping, Mr. SHI Xun, Mr. LIU Dingping and Mr. LI Chaoyang; and the independent non-executive directors are Mr. WANG Zhenjun, Mr. LUO Lin, Mr. WU Yuwu and Mr. LIU Ruizhong.

REPORT OF THE BOARD OF DIRECTORS FOR 2017

Dear Shareholders,

In 2017, the capital market ran stably under the work principle of “making progress while maintaining stability”. 2017 was a startup year of the Company as an A+H listed company subject to the regulation of both places under a regulatory situation of “compliance, strictness and comprehension”. In 2017, the Company fully implemented the spirit of the construction work conference of CPC for the national state-owned enterprises and General Secretary Xi Jinping’s important speech and signified the legal status of Party organization in corporate governance structure of the Company. In 2017, the Company implemented the spirit of 19th National Congress, the National Conference on Financial Work and the Central Economic Working Conference, and we faced direct competition and started to facilitate the 3-year strategic transformation, which is significant to our businesses, and we drew our overall blueprint.

In 2017, the Company proactively adapted to new situation under strict regulatory, adhered to the approach of strengthening the leadership of the Party, continued to optimize corporate governance, facilitated the development of business transformation, better achieved various annual work targets without any material risk issue occurred during the year, and was ranked Class AA among securities companies in the classification evaluation. In accordance with the China Accounting Standards for Business Enterprises, the Company recorded the consolidated operating revenue of RMB11,344 million for the year, representing a decrease of 14.32% from last year and net profit of RMB4,019 million, representing a decrease of 22.49% from last year. As at the end of 2017, the Company’s total assets amounted to RMB254,815 million; its net assets amounted to RMB63,195 million and weighted average rate of return on net assets was 6.33%.

APPENDIX I REPORT OF THE BOARD OF DIRECTORS FOR 2017

According to the relevant requirements of laws, regulations and the Articles of Association, the performance of the Board of Directors for 2017 and the work plan for 2018 are hereby presented as follows:

I. REVIEW OF MAJOR PERFORMANCE OF THE BOARD OF DIRECTORS FOR 2017

In 2017, the Board convened 3 general meetings, at which 15 resolutions were proposed, 15 resolutions were considered and passed, and 1 report was received; held 16 Board meetings, at which 52 resolutions were considered and passed, and 3 reports were received. The Strategy and Development Committee held 3 meetings, and preliminarily reviewed and discussed 12 issues; the Risk Management Committee held 4 meetings, preliminarily reviewed and discussed 13 issues, and received 1 report; the Nomination and Remuneration Committee held 7 meetings, and preliminarily reviewed and discussed 8 issues; and the Audit Committee held 8 meetings, preliminarily reviewed and discussed 20 issues and received 2 reports.

During the year, the Board mainly conducted the following work:

(i) The Company successfully achieved the listing of A Shares and completed the construction of an A+H financing platform

On 23 January 2017, A Shares of the Company were listed on the Shanghai Stock Exchange, with an issue size of 600 million Shares. Based on the issue price of RMB6.81 per Share, the total proceeds raised amounted to RMB4,086 million. After the completion of the construction of an A+H listing platform, the Company became the ninth A+H listed securities companies in the industry. The Company continued to promote the improvement of its governance structure, established a corporate governance system benchmarking to listed companies, improved information disclosure mechanisms, refined investor relations management, standardized the management of related party transactions, strengthened the management of use of proceeds raised, and adopted other measures to enhance its corporate governance capabilities.

In the past ten years, the Company raised proceeds amounting to RMB32.687 billion, in aggregate, by way of an initial public offering of H Shares, additional issuance of H Shares and initial public offering of A Shares. It ranked the seventh place in the industry in terms of its net asset, which is 10 times over that of the Company at its inception. A+H dual listing enhanced the brand awareness and market image of the Company at home and abroad, provided more efficient financing platform and mechanism support for the development of the Company, and helped the Company to effectively learn from experience of the global corporate governance, further improve its corporate governance structure and optimize the incentive and restraint mechanisms under the joint supervision of domestic and international investors so as to promote the sustainable and healthy development of the Company in a stable and orderly manner.

(ii) It actively responded to the “Belt and Road” strategic initiative and successfully completed the overseas acquisitions

The Company actively responded to the “Belt and Road” strategic initiative and continuously spared no effort to promote the acquisitions related to CIMB Securities International Pte. Ltd. All work was carried out in an orderly manner with significant progress. The targets of this acquisition were securities businesses of CIMB Group Sdn Bhd in Singapore and Malaysia, covering 9 countries and regions. On 6 June 2017, Galaxy International Holdings and CIMB Group Sdn Bhd formally entered into an agreement for sale and purchase of a Singapore company. On 30 August 2017, the Company increased the capital injection of USD289 million into Galaxy International Holdings for the acquisitions related to CIMB Securities International Pte. Ltd. The acquisition of the Singapore company was completed in January 2018. The successful acquisition offered the Company an opportunity to take advantage of the development potential of ASEAN market, provide comprehensive quality services for customers in the covered countries and regions, facilitate the internationalization process of domestic customers and the establishment of a comprehensive cross-selling platform, and achieve synergistic effects of businesses.

(iii) It took an overall consideration of the business development and debt financing, kept in pace with the situation of financial market, actively responded to the cost pressure of high interest financing and effectively controlled the financing costs

In 2017, confronted with the circumstance of tightening market capitals and substantial increase in interest rate, the Board, under the mandate obtained at the general meeting, delegated the business management to focus on optimizing financing strategies, capture favorable time window, and utilize debt financing, income receipts and other financing instruments to support the business development. In addition, it strictly controlled additional financing costs, and the decrease in its average financing costs of accumulative liabilities throughout the year was ranked the top of the industry. It actively secured the credit facilities granted by various financial institutions to expand financing channels and recorded a further increase in credit facilities in 2017. As at the end of 2017, the Company had obtained credit facilities amounting to approximately RMB300 billion, representing an increase of approximately RMB50 billion as compared to the interim period of 2016.

(iv) It catered to the needs of business transformation and provided funding support for subsidiaries

In 2017, in order to further take advantage of the industrial development trend, satisfy the needs of business transformation, enhance the strength of subsidiaries, explore new source of profit growth and boost the competitiveness of subsidiaries, the Board further strengthened the support for all businesses of subsidiaries by increasing the capital injection of RMB500 million and RMB1,150 million into its two subsidiaries, namely Galaxy Jinhui and Galaxy Yuanhui Investments Co., Ltd. Such capital increases were mainly used to support the business development of subsidiaries, boost their risk control capabilities, relieve the pressure of net capital regulation and

cater to the capital requirement of future development of innovative businesses. In 2017, five subsidiaries of the Company, whose results were consolidated into the financial statements of the Company, accumulatively recorded revenue of RMB2,074 million in total, accounting for 18.28% of the total revenue of the Company, representing an increase of 5.37 percentage points from last year. Subsidiaries recorded net profit of RMB562 million in total, accounting for 13.98% of the total net profit of the Company, representing an increase of 5.27 percentage points from last year. The revenue structure of the Company was gradually optimized, and the layout of its subsidiaries gradually entered the harvest period, which laid a good foundation for the Company to actively adapt to market changes and maintain stable development.

(v) Enhancement of self-development of the Board has ensured regulated and efficient operation of the Board

The Board attaches great importance to its self-development and carefully and diligently performs its duties. Through multiple means including research and investigation and training, the Board strived to improve the decision-making ability and standard of its members, enhance the decision-making efficiency of the Board, make full use of the role of various special committees under the Board in supporting decision-making and the important function of Independent Directors, further enhance the decision-making capability for significant matters, strengthen its effort to monitor the implementation of resolutions of the Board and continuously boost the corporate governance capability of the Company under the A+H listing supervision to operate in a regulated and efficient manner.

In 2017, the Directors conducted 8 investigations and researches in Shanghai, Sichuan, Guizhou, Niaoning and Guangdong, covering areas such as current situation of branch companies, business transformation and development of branches, business coordination, human resources management and assessment, and the formulation of future strategic plan of the Company. Such investigations and researches provide first-hand information to Directors for their decision-making, deepen Directors' knowledge and understanding of the securities industry and the Company, further enhance the decision-making ability and standard of members of the Board, enable the decision-making of the Board to be more forward-looking and scientific. Moreover, the Directors actively participated in trainings through various means to timely understand the latest laws and regulations, regulatory policies and important development dynamics of the industry, improve their ability to perform duties and enhance the professionalism in performing duties of Directors.

(vi) It strengthened the compliance risk control and further improved the internal control system

The Board actively adapted to the new changes in the regulatory situation, adhered to the three “nevers” principles, namely never to touch the red line, never to step on the gray zone, and never to play edge ball, built a defense line for safety that combines compliance, risk control and audit, and established a scientific and sophisticated risk emergency response mechanism, coordinated innovative development and compliance risk control, and sought for a balance between safety and efficiency to

ensure the implementation of the strategies and business development of the Company. As to the compliance management, the Board adhered to the concept of “identifying areas for implementation by reference to regulatory requirements”, revised the Articles of Association and compliance management basic system of the Company, allocated compliance management personnel at the front line of the business, strengthened the compliance management with full coverage of subsidiaries, enhanced the compliance management of key business, and prevented and controlled the compliance risk throughout the full business line. As to risk management, the Board restructured and adjusted the three-level risk authorization system according to the organizational system, realized the vertical management of subsidiaries, unifies the authorization system, promotes the implementation of parent-subsidiary company’s consolidated financial statements, and strengthened the risk-coordinated management of parent-subsidiary companies. The internal audit work continued to be conducted under the technical review mode to increase the audit coverage, which had extended to cover all subsidiaries.

(vii) The information disclosure was in compliance with laws and the management of investor relations was effective

As a company listed in Shanghai and Hong Kong, the Board attaches great importance to the standardization of information disclosure. In 2017, it further streamlined and improved the information disclosure process and system of the Company and made information disclosure in a true, accurate and complete manner in strict compliance with laws and regulations and regulatory rules to ensure the timeliness and fairness of information disclosure. The Company’s information disclosure is investor-oriented and meets the regulatory requirements for information disclosure, which has effectively protected the interests of investors. In 2017, the Company made 359 disclosure announcements, which sent messages on corporate governance, and operation and management to investors in a timely, accurate and complete manner, which further improved the transparency of the Company.

The Board attaches great importance to the management of investor relations and has always been committed to safeguarding the legitimate rights and interests of investors. It pays attention to the concerns of investors, timely responds to investors’ doubts, and continues to improve the quality and standard of management of investor relations. In 2017, the Board continued to improve the communication and contact mechanism with domestic and international shareholders, potential investors, analysts of investment banks, and fund managers, maintained and strengthened the close connections with investors and analysts through participation in investment bank summits, reception of visitors, telephone conferences in one-to-one and one-to-many formats, phone and email communications and roadshows etc., to promote corporate culture, implement corporate strategies and introduce businesses of the Company, conduct the management of investor relations via various channels and from multiple aspects, and boost their confidence in the Company’s development. Through the communication with investors, the Board interacted with investors in a timely manner to effectively improve the investor’s experience.

(viii) It properly managed related party transactions to protect the lawful rights and interests of investors

In 2017, the Company adhered to the principles of good faith, equality and voluntariness, fair pricing and legal procedures, and conducted the management of related party transactions in accordance with laws and regulations, the “Administrative Measures for Related Party Transactions” and the “Implementation Rules for Related Party Transactions of the Company”. The Audit Committee under the Board is responsible for the analysis and confirmation of related parties, related party transactions compliance review and decision-making and organization of material related party transactions to provide decision support for the Board to review related party transactions. Uninterested Directors of the Company vote on related party transactions, which has effectively safeguarded the lawful rights and interests of all Shareholders. Independent Directors of the Company issue independent opinions on material related party transactions in order to ensure that related party transactions can be made on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

(ix) It actively fulfilled its social responsibility and reflected its responsibility and duty as a public company

The Company continued to actively promote the development of corporate culture and conducted various measures to fulfill its social responsibility. The Company followed the outline of “giving priority to educational poverty alleviation and focusing on industrial poverty alleviation with the support of philanthropic poverty alleviation”. It earnestly gave play to the advantages of an investment bank, fully served national major strategies on poverty alleviation, actively carried out the activities for fulfilling its social responsibility such as poverty alleviation and provision of assistance to students, formulated the poverty alleviation plans for 2017 to 2020, and 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 Province, Hetian County in Xinjiang Uygur Autonomous Region and Zuoquan County in Shanxi. The Company signed an agreement to donate a photovoltaic power station project at village level with Xi 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 Aershan Galaxy Primary School, totaling approximately RMB36 million. Up to now, the Company has helped five targeted national-level poverty-stricken counties and funded seven Galaxy Primary Schools. In addition, the Company has completed the establishment of an environmental, social and governance indicators management system. With the commencement of a series of social responsibility activities, the image of a large public company with social responsibilities has been built for the Company, and the cohesion and positive energy of employees have been enhanced.

(x) It conscientiously convened general meetings and efficiently implemented the resolutions of general meetings

The Board prepared for and convened general meetings in a timely manner and in strict compliance with the Articles of Association, the “Rules of Procedure for the General Meetings” and other rules. In 2017, a total of three general meetings were held, at which 15 resolutions were proposed and 15 resolutions were considered and passed.

The Board actively organized and urged relevant institutions or personnel to implement the resolutions of the general meeting, and successfully completed profit distribution, amendment to the proposal on authorization granted to the Board at general meetings and the appointment of external auditors. The Board ensures that the operation and management of the Company reflect Shareholders’ will and safeguard the legitimate rights and interests of all Shareholders.

APPENDIX I REPORT OF THE BOARD OF DIRECTORS FOR 2017

II. PERFORMANCE OF DUTIES BY DIRECTORS IN 2017

In 2017, all the Directors of the Company strictly complied with the “Company Law”, the “Rules Governing the Listing of Securities on the Shanghai Stock Exchange”, the Listing Rule of the Stock Exchange and the provisions of the Articles of Association, performed their statutory duties in compliance with laws and regulations, in good faith and in diligent and responsible manner, and actively participated in discussion and decision-making at meetings, the procedures of which were complied with laws. The Company completed a great amount of work in respect of making significant development strategies, material investment and financing projects, business innovation, risk management, internal control system, senior management appointment, performance assessment, system construction, enterprise culture, and social responsibility of the Company. Leveraging on our professional advantages arising from four special committees of the Board and Independent Directors, the Company effectively enhanced the decision-making of the Board with scientificity and perceptiveness, which facilitated the sustainable and healthy development of the Company and safeguarded the rights and interests of the Shareholders earnestly.

The attendance of Directors at Board meetings in 2017 is as follows:

Name of Director	Required attendance at Board meetings	Attendance in person	Attendance by proxy	Absence	Number of resolutions required for voting	Number of resolutions actually voted
Chen Gongyan	15	12	3	0	52	52
Gu Weiguo	15	14	1	0	52	52
Du Ping	16	16	0	0	52	52
Shi Xun	16	16	0	0	52	52
Zhang Jinghua	16	16	0	0	52	52
Wu Chengming	15	15	0	0	52	52
Liu Feng	16	15	1	0	52	52
Luo Lin	16	15	1	0	52	52
Wu Yuwu	16	15	0	1	51	51
Chi Fulin (resigned)	11	5	6	0	44	44
Li Chaoyang	16	15	1	0	52	52
Liu Ruizhong	5	5	0	0	9	9

Note: On 29 September 2017, Mr. Liu Ruizhong was elected as an Independent Director of the third session of the Board at the second extraordinary general meeting of 2017 of the Company. Since the appointment of Mr. Liu Ruizhong came into effective, Mr. Chi Fulin ceased to be the Independent Director of the Company.

III. IMPLEMENTATION OF AUTHORIZATION GRANTED TO THE BOARD OF DIRECTORS BY THE SHAREHOLDERS' GENERAL MEETING

The Company orderly and strictly conducted its business activities within the scope of authorization and according to the “Proposal on Authorization Granted to the Board of Directors by the Shareholders’ General Meeting”, and did not act beyond the authorization. Overall, the implementation of the authorization was good.

IV. OUTLOOK FOR THE MAJOR WORK IN 2018**(i) Riding on new situation, formulating new strategies, leading the Company to a new journey**

The report of the 19th National Congress fully discussed the new era, new idea, new conflict, new objective, new mission, new guideline, new philosophy and new journey, which gives a direction for the transformation and development of the Company, and is also the guideline for the Company’s return to the original of the securities business and for its transformation and development. Guided by the spirit of the report of the 19th National Congress, the Company will start to plan for the future strategic development, facilitate the Company to maintain a sustainable development of its businesses, reconstruct its market position and public image, and lead itself to a new journey of being “a carrier securities broker and a first-tier investment bank”.

(ii) Exploring and establishing a multi-market and multi-level capital replenishment system

Taking into account its development strategy and regulatory situation, the Company will study and explore a capital replenishment system. By fully utilizing domestic and overseas capital markets and carrying out work relating to capital replenishment in forms of equity and debt, the Company shall establish a multi-market and multi-level capital replenishment system so as to secure the business development of the Company.

(iii) Completing the change of members of the Board in compliance with laws and regulations and continuously enhancing the corporate governance of the Company

In 2018, the Company will facilitate and complete the change of members of the Board. Through continuous exploration and optimization of the composition of the Board, the Company will enhance the capacity of the Board in market judgment, discussion and decision-making as well as risk control. The Company will further optimize its corporate governance system and improve the market operation system, thereby enhancing its corporate governance level.

(iv) Continuously reinforcing the compliance risk management and proactively adopting strict regulation

Adhering to the bottom-line of “striving to avoid systematic risk”, the Company will closely follow the regulatory policies. Under the principle of risk prevention and leverage control, the Company will strictly prevent against financial crisis, enhance the capacity and level of compliance risk management, cooperate with the Company for reforming the operation system and making business development innovation, construct a unified compliance risk control platform of the Group and establish a management team that is “professional in business, diligent and responsible and adherence to the bottom line”, ensuring the overall coverage of compliance and risk management.

(v) Proactively devoting to targeted poverty alleviation and strengthening the construction of branding and enterprise culture

The Company will proactively and constantly devote to targeted poverty alleviation programs. By leveraging the resources and advantages of capital market, the Company will conduct measures of financial poverty alleviation and industrial poverty alleviation in poverty areas and establish a “hematopoietic” system to help the economic and social transformation and development in local areas and get rid of poverty as soon as possible. Also, the Company will further strength the construction of branding and enterprise culture, so as to enhance the recognition and influence of the Company’s brand with better market image, and to increase the value of the Company.

The Board of Directors of China Galaxy Securities Co., Ltd.

In case of any discrepancy between the Chinese version and the English version of this Appendix, the Chinese version shall prevail.

REPORT OF THE SUPERVISORY COMMITTEE FOR 2017

Dear Shareholders,

In 2017, despite the continuous drop of the stock market and the stringent regulatory environment, the Company was able to seize the market opportunity and face the difficulties with the strong support of all Shareholders. The Board, the Supervisory Committee and the business management joined hands together and led all the staff for expansion and innovation, effectively solidified the market position of the Company and achieved its performance targets for the year with remarkable results. During the year, no major risk issue has arisen. The Company has gained the AA rating in the classification evaluation of 97 securities companies in 2017.

In accordance with the China Accounting Standards for Business Enterprises, in 2017, the Company recorded operating revenue of RMB11,344 million for the year, representing a decrease of 14.32% from last year and net profit of RMB4,019 million, representing a decrease of 22.49% from last year. As at the end of 2017, the Company's total assets amounted to RMB254,815 million; its net assets were RMB63,195 million and weighted average rate of return on net assets was 6.33%.

In 2017, with the support and cooperation of the Board of Directors and the business management, the Supervisory Committee legally performed its duties under the spirit of being accountable to all Shareholders and in strict compliance with the laws and regulations such as the "Company Law" and the "Securities Law", the relevant requirements of the CSRC and the Stock Exchange, as well as the requirements of the Articles of Association and the "Rules of Procedure for the Supervisory Committee". In the first four month of 2017, at the absence of the chairman of the Supervisory Committee, the Supervisors jointly elected a Supervisor as the convenor of Supervisory Committee meetings in accordance with the "Rules of Procedure for the Supervisory Committee", ensuring the convening of Supervisory Committee meetings and the commencement of all work of the Supervisory Committee in an ordinary manner. In May 2017, a new Supervisor was added to the Supervisory Committee and the chairman of the Supervisory Committee was elected, and the composition of the Supervisory Committee satisfied the requirements of the Articles of Association. All the Supervisors attended the general meetings they should attend and reported work and submitted the work report of the Supervisory Committee and the relevant resolutions at general meetings; participated in all meetings of the Board, the special committees under the Board and the business management, and conducted effective supervision over the finance of the Company and the performance of duties by the Board and the senior management, which safeguarded the lawful rights and interests of the Company and the Shareholders.

APPENDIX II REPORT OF THE SUPERVISORY COMMITTEE FOR 2017

The work report of the Supervisory Committee for 2017 is hereby presented as follows:

I. MEETINGS OF THE SUPERVISORY COMMITTEE AND ATTENDANCE OF SUPERVISORS DURING THE REPORTING PERIOD

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

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

APPENDIX II REPORT OF THE SUPERVISORY COMMITTEE FOR 2017

The attendance of Supervisors at the meeting of the Supervisory Committee is as follows:

Name of Supervisor	Position	Required attendance during the year	Actual attendance	Including		Absence
				Number of attendance in person	Number of attendance through telephone	
Chen Jing	Chairperson of the Supervisory Committee	5	5	5	0	0
Zhong Cheng	Supervisor	6	6	6	0	0
Liu Zhiyi	Employee Supervisor	6	6	6	0	0
Chen Jijiang	Employee Supervisor	6	6	6	0	0
Tao Libin	External Supervisor	6	6	4	2	0
Number of meetings of the Supervisory Committee held during the year				6		
Including	Number of on-site meetings			6		
	Number of meetings convened by communication equipment			0		
	Number of meetings both on-site and by communication equipment			0		

In 2017, employee Supervisors were able to collect opinions from all employees of the Company via email before convening the regular meetings of the Supervisory Committee, report the demands of employees to the Supervisory Committee, which were then reported to the business management of the Company for review and solution, in accordance with the Articles of Association and the “Rules of Procedure for the Supervisory Committee”.

Mr. Wu Chengming, the secretary to the Board, attended the above meetings of the Supervisory Committee.

II. MAJOR WORK OF THE SUPERVISORY COMMITTEE**(i) A Supervisor was added in accordance with the Articles of Association and the chairperson of the Supervisory Committee was elected**

On 13 October 2016, as the former chairman of the Supervisory Committee resigned as Supervisor and chairman of the Supervisory Committee due to the change of the job, the Supervisory Committee was in shortage of a Supervisor in accordance with the Articles of Association. On 7 March 2017, the first extraordinary meeting of the third session of the Supervisory Committee of the Company was convened, at which the “Proposal for Recommending Ms. Chen Jing as a Candidate for Supervisor of the Company” was reviewed and approved. On 5 May 2017, the second extraordinary meeting of the third session of the Supervisory Committee of the Company for 2017 was convened, at which the “Proposal on the Election of Ms. Chen Jing as the Chairperson of the Third Session of the Supervisory Committee of China Galaxy Securities Co., Ltd.” was reviewed and approved.

In 2017, each of the Financial Monitoring Committee and the Performance Monitoring Committee of the Supervisory Committee elected its respective chairman of the committee. Supervisors Tao Libin and Chen Jing were elected as the chairman/chairperson of the Financial Monitoring Committee and the Performance Monitoring Committee of the third session of the Supervisory Committee of the Company, respectively.

(ii) Proposals were put forward to general meetings

On 30 March 2017, after jointly nominated by two employee Supervisors and one external Supervisor, the Supervisor Zhong Cheng put forward the “Proposal on Reviewing the 2016 Work Report of the Supervisory Committee of China Galaxy Securities Co., Ltd.” on behalf of the Supervisory Committee to the 2016 annual general meeting. The Report was considered and approved by the general meeting and was disclosed in accordance with the relevant information disclosure rules.

On 20 December 2017, the Supervisory Committee submitted the “Proposal on Reviewing the Remuneration Distribution Plan for the Full-time Supervisor Zhong Cheng for 2015 and 2016” to the first extraordinary general meeting of 2018. Due to the new changes in remuneration policy of the Company’s full-time Supervisors, the Supervisory Committee convened the 2018 first extraordinary meeting on 5 February 2018, at which the Supervisors agreed to withdraw the “Proposal on Reviewing the Remuneration Distribution Plan for the Full-time Supervisor Zhong Cheng for 2015 and 2016” from the resolutions to be considered at the first extraordinary general meeting of 2018.

All Supervisors attended all general meetings of the Company held in 2017.

APPENDIX II REPORT OF THE SUPERVISORY COMMITTEE FOR 2017

(iii) Supervisors participated in the Board meetings and supervised the decision-making on significant matters by the Board of Directors

In 2017, the Board held 16 on-site meetings, all of which held both on-site and by communication equipment. At such meetings, 52 resolutions were put to vote and 3 reports were received. Supervisors participated in all meetings, details of which are as follows:

1. the 21st meeting (extraordinary) of the third session of the Board on 3 March 2017;
2. the 22nd meeting (extraordinary) of the third session of the Board on 16 March 2017;
3. the 24th meeting (extraordinary) of the third session of the Board on 23 March 2017;
4. the 23rd meeting (regular) of the third session of the Board on 30 March 2017;
5. the 25th meeting (regular) of the third session of the Board on 28 April 2017;
6. the 26th meeting (extraordinary) of the third session of the Board on 17 May 2017;
7. the 27th meeting (extraordinary) of the third session of the Board on 12 June 2017;
8. the 28th meeting (extraordinary) of the third session of the Board on 28 June 2017;
9. the 29th meeting (extraordinary) of the third session of the Board on 30 June 2017;
10. the 30th meeting (extraordinary) of the third session of the Board on 14 August 2017;
11. the 31st meeting (regular) of the third session of the Board on 30 August 2017;
12. the 32nd meeting (extraordinary) of the third session of the Board on 30 August 2017;
13. the 33rd meeting (regular) of the third session of the Board on 30 October 2017;
14. the 34th meeting (extraordinary) of the third session of the Board on 27 November 2017;

APPENDIX II REPORT OF THE SUPERVISORY COMMITTEE FOR 2017

15. the 35th meeting (extraordinary) of the third session of the Board on 20 December 2017; and
16. the third meeting of non-executive Directors of the third session of the Board held on 20 December 2017.

The Supervisory Committee conducted real-time supervision of the legal compliance of the procedures for convening the Board meetings. The Supervisory Committee maintained written records of the attendance of Directors at Board meetings, their speeches, proposals and voting results, which were signed by attending Supervisors, to monitor the performance of duties by Directors in an objective and fair manner.

In 2017, the four special committees under the Board held 22 meetings to discuss, review and consider 53 issues. Supervisors participated in all meetings.

The Supervisory Committee is of the view that: In 2017, the Board carefully performed its duties in accordance with the “Company Law”, the Articles of Association and the “Rules of Procedure for the Board Meetings”, fully implemented all resolutions passed at general meetings, convened general meetings, Board meetings and meetings of the special committees under the Board to review and consider significant matters of the Company in a timely manner. The procedures for convening the Board meetings and all resolutions made by the Board were in compliance with the relevant requirements and were lawful and valid. The Board actively led and promoted the listing of A Shares of the Company and successfully achieved the listing of A Shares; actively responded to the “One Belt and One Road” strategic deployment and smoothly implemented overseas merger and acquisition; increased support for subsidiaries and made capital injection into two subsidiaries respectively; strengthened compliance risk management and control to further improve the construction of internal control system; conscientiously managed related party transactions to protect the legitimate rights and interests of investors; and strengthened information disclosure system to ensure the truthfulness, accuracy and completeness of the Company’s information disclosure. The Board performed its duties in an active and competent manner in 2017.

(iv) Supervisors attended business management meetings and supervised major operation and management activities of the Company

In 2017, a total of 44 President Office meetings were held, at which 184 issues were considered; 10 Executive Committee meetings were held, at which 19 issues were considered. Supervisors participated in all meetings.

The Supervisory Committee maintained written records of the attendance of the senior management at meetings, their speeches and explanation on topics made thereat, and such records were signed by the Supervisors attending the meetings, which enabled the Supervisors to oversee the duty performance of the senior management in an objective and fair manner.

APPENDIX II REPORT OF THE SUPERVISORY COMMITTEE FOR 2017

By attending the Executive Committee meetings, President Office meetings and operating situation analysis meetings, the Supervisory Committee timely understood and mastered a variety of information on business development of the Company and supervised the business management to implement various resolutions passed at general meetings and meetings of the Board of Directors in a comprehensive and timely manner, and the Supervisory Committee conducted supervision over the duty performance by the senior management such as attendance, and speeches made at meetings.

The Supervisory Committee believes that: In 2017, the business management of the Company conscientiously implemented various resolutions of the Board, actively adjusted the business operation and management model and promoted the establishment of new business line structure according to the strategic plan of the Board; continuously improved the customer service capabilities and accelerated the development of the internet business; strengthened fund management, actively responded to the cost pressure of high interest rate financing and utilized various kinds of financing instruments for fund raising; optimized management basis and strived to facilitate the establishment of internal mechanism. Facing the depressed market conditions, the business management grasped the opportunities to constantly improve the standard of risk management of the Company, operated businesses in compliance with laws and regulations and led the staff to complete the tasks for the whole year. As a result, certain results of operation were achieved. The business management of the Company performed its duties in a competent manner in 2017.

(v) Supervisors earnestly carried out the duty performance evaluation work for the Directors and senior management

In 2017, the Supervisory Committee monitored the performance of duties by the Directors and senior management in accordance with the “Company Law” and the Articles of Association. The Supervisors participated in the relevant meetings, and took detailed records and prepared summaries in respect of the attendance of the Directors and senior management at meetings, quality of their proposals and speeches, resolutions voted by them, which formed the basis for evaluating their duty performance. The Supervisors also gave written comments based on the requirements.

(vi) Supervisors conducted outgoing audit on outgoing senior management

According to Article 9 of the “Measures for the Supervision of the Qualifications for Directors, Supervisors and Senior Managers of Securities Companies” issued by the CSRC and the relevant provisions of the Articles of Association, in December 2017, the auditing group organized by the Supervisory Committee conducted an outgoing audit for the outgoing senior management, Mr. Wang Liuqi. The relevant audit report and follow-up reporting will be completed in accordance with relevant regulations.

(vii) The Supervisory Committee actively facilitated and supervised the Company in making information disclosure

In 2017, according to the regulatory requirements for listed companies, the Supervisory Committee invited the secretary to the Board of Directors to attend meetings of the Supervisory Committee. Meanwhile, the Supervisory Committee also strengthened the supervision over the duty performance by the secretary to the Board of Directors in information disclosure.

The Supervisory Committee arranged a designated personnel to participate in the preparation of the quarterly, interim and annual reports of the Company.

(viii) Supervisors actively conducted research, investigation and training

In 2017, Chairperson Chen Jing led a team to conduct research in Guotai Junan Securities Co., Ltd. Chairperson Chen Jing and the Chairman of the supervisory committee of Guotai Junan conducted in-depth and detailed discussions on how the supervisory committee of the securities companies supervises the performance of duties by directors and senior management, and how the supervisory committee cooperates with various departments of the company to exert synergistic supervision, and formed a research report. Other Supervisors of the Supervisory Committee also conducted research in branches of the Company.

In 2017, all Supervisors subsequently took part in the specific training for directors and supervisors of listed companies in the Beijing jurisdiction organized by the CSRC, Beijing Branch.

(ix) The Supervisory Committee held a symposium for supervisors of the subsidiaries

In 2017, the Supervisory Committee held two symposiums for supervisors of the subsidiaries to receive the reports and suggestions on the performance of duties of the supervisors of the subsidiaries and conducted research and discussion regarding the joint efforts of the relevant departments of the Company to promote the effective performance of duties of the supervisory committee (supervisors) of the subsidiaries and drive the subsidiaries to strengthen the management, prevent risks and make healthy development.

(x) A regular meeting system for the Supervisory Committee was established

In 2017, the Supervisory Committee established its regular meeting system. The Supervisors and staff of the office of the Supervisory Committee held a work exchange meeting every two weeks to share information, exchange of ideas on work and conduct discussion on major issues.

III. WORK PLAN OF THE SUPERVISORY COMMITTEE FOR 2018

In 2018, the Supervisory Committee will continue to conduct supervision and inspection independently according to the “Company Law” and the duties and responsibilities assigned under the Articles of Association. The Supervisory Committee will perform its works with the focus on the Company, safeguard the interests of Shareholders, the Company and employees and carry out work effectively and efficiently.

- (i) The Supervisory Committee will earnestly perform its own duties to strengthen supervision over the performance of duties of Directors and senior management and deepen the supervision over the Company’s finances in accordance with the “Company Law”, the Articles of Association and the relevant provisions of the securities regulators, the Stock Exchange and the Shanghai Stock Exchange.
- (ii) It will continue to conscientiously attend the general meetings and participate in the relevant meetings of the Board and the business management and conduct real-time monitoring of the performance of duties by the Board and senior management. The Supervisory Committee will issue its opinions and advices at the relevant meetings in a prudent manner.
- (iii) It will strengthen the review of the financial statements of the Company, conduct active exchanges, communication and cooperation with the Audit Committee of the Board and accounting firms and supervise the truthfulness, accuracy and completeness of the financial statements of the Company.
- (iv) It will earnestly conduct the management of information disclosure, especially the preparation and disclosure of related party transactions and annual report of the Company. It will also actively support, cooperate with and supervise the Board in the information disclosure of the Company as an H+A listed company.
- (v) It will strengthen the research, investigation and training of the Supervisory Committee and Supervisors. On the one hand, research and investigation will be conducted on the departments and branches of the Company in order to fully understand the implementation of the Company’s systems and business development. On the other hand, more research and investigation will be conduct on the business operations and financial position of subsidiaries. Meanwhile, according to new regulatory requirements after the listing of A Shares, it will conscientiously study relevant laws, regulations and rules, and visit the supervisory committees of similar companies for learning and investigation so as to improve Supervisors’ ability to perform duties.
- (vi) It will study and strengthen the collaboration between the Supervisory Committee and the departments of the Company such as internal audit, compliance, risk and discipline inspection to form an effective joint supervision.
- (vii) It will strengthen the internal management work of the office of the Supervisory Committee, especially works on responsibilities, procedures and discipline.

APPENDIX II REPORT OF THE SUPERVISORY COMMITTEE FOR 2017

The Supervisory Committee of China Galaxy Securities Co., Ltd.

In case of any discrepancy between the Chinese version and the English version of this Appendix, the Chinese version shall prevail.

DUTY REPORT OF THE INDEPENDENT DIRECTORS FOR 2017

Dear Shareholders,

In accordance with relevant provisions of the “Notice on the Issuance of the Guidance on the Establishment of an Independent Director System in Listed Companies” (Zheng Jian Fa [2001] No. 102) issued by the CSRC, the “Notice on the Issuance of the Governance Standards for Listed Companies” (Zheng Jian Fa [2002] No. 1) issued by the CSRC and the State Economic and Trade Commission, the “Rules Governing the Listing of Securities on the Shanghai Stock Exchange” and the “Guidelines on the Format of the Duty Report of Independent Directors” issued by the Shanghai Stock Exchange, the 2017 duty report of the Independent Directors of the Company is as follows:

I. BASIC INFORMATION OF THE INDEPENDENT DIRECTORS

The third session of the Board of the Company comprises 11 Directors, including, among others, 4 Independent Directors. During the reporting period, the Independent Directors were Mr. Liu Feng¹, Mr. Luo Lin, Mr. Wu Yuwu and Mr. Liu Ruizhong².

(i) Basic information of the Independent Directors during the reporting period

Liu Feng, born in June 1963, has been an Independent Non-executive Director of the Company since April 2011. Mr. Liu served as adjunct professor at the Management School of McGill University, Canada since January 2006, and an independent director of Beijing Capital Financial Asset Exchange Information Service Co., Ltd. (首創金融資產交易信息服務股份有限公司) since June 2016. From May 1987 to August 1989, he was a lecturer at the Management School of Tianjin University. From July 1995 to June 1996, he served as assistant professor at the Management School of the University of Windsor, Canada. From July 1996 to May 2001, he was an assistant professor of finance and co-director of China projects at the Management School of McGill University, Canada. From July 1997 to June 1998, he was a lecturer at the Business School of Singapore Nanyang Polytechnic University. From June 2001 to September 2005, he was a lecturer and co-director of China projects at the Management School of McGill University, Canada. From March 2004 to June 2010, Mr. Liu was an independent non-executive director of Orient Fund Management Co., Ltd (東方基金管理有限責任公司). From April 2007 to December 2013, he was an independent non-executive director of Jinan Commercial Bank (濟南市商業銀行股份有限公司) (currently known as Qilu Bank Co., Ltd.) (齊魯銀行股份有限公司). From October 2007 to January 2009, he was the deputy secretary of the Financial Planning Standards Council under the China Foundation for Financial Education Development. He was the chairman of FPSB China Ltd. (現代國際金融理財標準(上海)有限公司) from August 2008 to December 2011 and the secretary general of the PRC Expert Committee of the

- 1 Mr. Liu Feng resigned as an Independent Director of the Company on 9 February 2018 and ceased to be the chairman of the Nomination and Remuneration Committee and a member of each of the Strategy and Development Committee, the Risk Management Committee and the Audit Committee.
- 2 Mr. Liu Ruizhong was elected as an Independent Director of the Company at the general meeting held on 29 September 2017.

Financial Planning Standards Board from August 2009 to August 2011. He served as a partner of Swiss Trust Advisors AG and an executive director of Swiss Investment Consulting (Shanghai) Co., Ltd. from July 2014 to June 2016. Mr. Liu obtained a bachelor's degree in engineering majoring in architectural structure engineering from the Department of Civil Engineering of Tianjin University in July 1983, a master's degree in engineering majoring in industrial management engineering from Tianjin University in June 1987, and a doctoral degree in finance from Concordia University in May 1996.

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

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

Liu Ruizhong, born in July 1953, has been an Independent Non-executive Director of the Company since September 2017. He graduated from the Department of Economics of Anhui University in 1982 with a bachelor's degree in economics, and from the Department of Economics of Peking University in December 1986 with a master's degree in economics. Mr. Liu was a teacher of Tongling Finance and Economics College in Anhui Province from September 1982 to September 1984. He served as the deputy director of the Information Department of Chinese Economic System Reform Research Institute from December 1986 to May 1992, and the director of the Information Department of China International Futures Brokerage Co., Ltd. from May 1992 to May 1993. He served as the executive vice president of Beijing Commodity Exchange from May 1993 to July 1997, the consultant of Shenzhen Special

Zone Securities Company from July 1997 to September 2000, and an independent director of Essence Securities Co., Ltd. from 2007 to 2013. Mr. Liu has been the general manager of Beijing Huachuang Investment Management Co., Ltd. since 2000, and a director of Harfor Fund Management Co., Ltd. since 2007, a director of Shenhua Futures Co., Ltd. since 2011, a director of Guantong Futures Brokerage Co., Ltd. since 2014 and an independent director of PPM (Shenzhen) Inc. since 2016.

(ii) Resigned Independent Director during the reporting period

Chi Fulin, born in August 1951, an Independent Non-executive Director of the Company from June 2015 to September 2017. Mr. Chi served consecutively as a promotion officer of the Political Department and a teaching staff of the Marxism-Leninism Teaching and Research Office of the National Defense University from January 1977 to August 1984, the deputy director of the Policy Research Office of Hainan Provincial Committee and the System Reform Office of Hainan Province from August 1987 to June 1993, and successively the deputy director, executive director and director of the China (Hainan) Institute for Reform and Development since June 1993. Mr. Chi graduated from the Party School of the CPC Central Committee majoring in science socialism in July 1987.

Mr. Chi Fulin resigned as an Independent Director of the Company on 29 September 2017.

(iii) Statement of independence

The 4 Independent Directors of the Company perform their duties independently and have no connected relationship with the substantial Shareholders or de facto controller of the Company or other entities or individuals having an interest in the Company. There are no circumstances that will affect their independence.

II. PERFORMANCE OF DUTIES BY INDEPENDENT DIRECTORS FOR THE YEAR**(i) Attendance at Board meetings and general meetings**

During the reporting period, the Company held 16 Board meetings and 3 general meetings. Attendance of Independent Directors at Board meetings and general meetings is as follows:

Name	Attendance at Board meetings					Attendance at general meetings
	Required attendance at Board meetings	Number of resolutions voted on	Attendance in person	Attendance by proxy	Absence	
Liu Feng	16	54	15	1	0	1
Luo Lin	16	54	15	1	0	2
Wu Yuwu	16	54	15	0	1	3
Liu Ruizhong	5	9	5	0	0	0
Chi Fulin (resigned)	11	45	5	6	0	0

(ii) Attendance at meetings of the special committees under the Board

Four special committees have been established under the Board, being the Strategy and Development Committee, the Nomination and Remuneration Committee, the Audit Committee and the Risk Management Committee. During the reporting period, the positions held by Independent Directors at the special committees under the Board are as follows:

Name	Position
Liu Feng	Chairman of the Nomination and Remuneration Committee, member of the Strategy and Development Committee, the Audit Committee and the Risk Management Committee
Luo Lin	Chairman of the Audit Committee, member of the Strategy and Development Committee and the Nomination and Remuneration Committee
Wu Yuwu	Member of the Strategy and Development Committee, the Nomination and Remuneration Committee and the Audit Committee
Liu Ruizhong ³	Member of the Strategy and Development Committee, the Nomination and Remuneration Committee and the Audit Committee

During the reporting period, Independent Directors actively chaired and attended the meetings of the special committees and earnestly performed their duties in accordance with the rules of procedure for the special committees under the Board. In 2017, a total of 22 meetings of the special committees under the Board were held, including 3 meetings of the Strategy and Development Committee, 4 meetings of the Risk Management Committee, 8 meetings of the Audit Committee and 7 meetings of the Nomination and Remuneration Committee. Attendance of Independent Directors at the meetings of special committees under the Board is as follows:

Name	Strategy and Development Committee	Risk Management Committee	Audit Committee	Nomination and Remuneration Committee
Liu Feng	2/3	4/4	8/8	7/7
Luo Lin	2/3	–	8/8	7/7
Wu Yuwu	2/3	–	8/8	7/7
Liu Ruizhong	–	–	2/2	2/2
Chi Fulin (resigned)	1/3	–	3/6	2/5

³ Mr. Liu Ruizhong has been serving as the Chairman of the Nomination and Remuneration Committee of the Board since 9 February 2018.

(iii) Participation in trainings

Date of training	Scope of training	Party trained
22 February 2017	Anti-money laundering training	Liu Feng, Luo Lin, Wu Yuwu, Chi Fulin
5 April 2017	Director responsibilities; risk management and internal control; environmental, social and governance report; corporate governance: the role of directors and company secretary	Liu Feng, Luo Lin, Wu Yuwu, Chi Fulin
11 April 2017	General meeting related training	Liu Feng, Luo Lin, Wu Yuwu, Chi Fulin
19 to 22 September 2017	The Forty-fourth seminar of HKICS on strengthening the continuing professional development for associated members in 2017: merger and financing	Luo Lin
31 October 2017	Financing of Hong Kong listed companies and introduction of related listing compliance and connected transactions under the Hong Kong Listing Rules, the regulatory framework, ideas and latest trends of Hong Kong listed companies	Liu Feng, Luo Lin, Wu Yuwu, Liu Ruizhong
13 December 2017	Talk about Corporate Governance from the recent hotspot cases punished by the CSRC	Liu Ruizhong
20 December 2017	Standardized operation of listed companies	Liu Feng, Luo Lin, Wu Yuwu, Liu Ruizhong

(iv) Research and investigation by Independent Directors

In order to acquire an in-depth understanding of the operation and management of the Company, possess the first-hand information for decision-making by Directors and enhance decision-making, with scientificity and perceptiveness, Independent Directors went to cities such as Shanghai, Sichuan and Guangdong and conducted research and investigation covering status of branch companies, business transformation and development of branches, business coordination, human resources management and assessment, and formulation of future strategic plans of the Company, etc. during the year.

III. KEY ISSUES IN THE PERFORMANCE OF DUTIES BY INDEPENDENT DIRECTORS FOR THE YEAR**(i) Related party transactions**

On 17 May 2017, the 26th meeting (extraordinary) of the third session of the Board was held, at which the “Proposal for Entering into the Securities and Financial Products Transactions Framework Agreement with Galaxy Financial Holdings Group and Setting the Annual Caps for 2017-2019” was considered and passed. On 30 June 2017, the 29th meeting (extraordinary) of the third session of the Board was held, at which the “Proposal for Entering into the Office Lease Agreement between the Headquarters of Galaxy Securities, Nanchang Yanjiang Middle Street Securities Branch of Galaxy Securities, Galaxy Jinhui, Galaxy Capital and Galaxy Investment” was considered and passed. After carefully reviewing the relevant information provided by the Board, Independent Directors issued prior approval opinions and independent opinions on the related party transactions.

(ii) External guarantees and capital occupation

On 30 March 2017, the “Proposal on the Provision of Net Capital Guarantee to Galaxy Jinhui” was considered and passed at the 23rd meeting (regular) of the third session of the Board, during which it was agreed to provide a net capital guarantee of RMB3 billion to Galaxy Jinhui so as to meet the needs of Galaxy Jinhui’s continuous risk management and business development.

On 30 August 2017, the “Proposal on Further Increase of Net Capital Guarantee to Galaxy Jinhui” was considered and passed at the 31st meeting (regular) of the third session of the Board, during which it was agreed to provide a net capital guarantee of RMB2 billion to Galaxy Jinhui so as to meet the needs of Galaxy Jinhui’s continuous risk management and business development.

The aforesaid guarantees were provided in order to enable the wholly-owned subsidiary of the Company to meet the regulatory requirements on net capital and did not harm the interest of the Company and its Shareholders. The Company has performed review procedures in accordance with laws and Independent Directors approved the external guarantees and expressed independent opinions.

During the reporting period, no guarantee was provided by the Company for its controlling Shareholder, de facto controller or their affiliates, which had fully protected the legitimate rights and interests of the Company and its Shareholders as a whole.

(iii) Use of the funds raised

The Company formulated the “Administrative Measures on Funds Raising” in accordance with relevant laws and regulations such as the “Company Law”, the “Securities Law”, the “Rules Governing the Listing of Securities on the Shanghai Stock Exchange” and the “Measures for the Management of the Funds Raised by Listed Companies of the Shanghai Stock Exchange” based on the actual situations of the Company to make stipulations on the storage, use, alteration, management and supervision of the raised funds, conduct specific management on the raised funds and store, use and manage the raised funds in accordance with the regulations as well as fulfill related obligations without any violations of laws and regulations.

(iv) Nomination and remuneration of Directors and senior management

1. Nomination of Directors

On 30 August 2017, the 31st meeting (regular) of the third session of the Board was held, at which the “Proposal on the Recommendation of Mr. Liu Ruizhong as a Candidate for Independent Directors of the Company” was considered and passed. The proposal was later considered and passed at a general meeting.

Independent Directors are of the opinion that the candidate for Independent Directors possess the necessary knowledge, skills, quality and work experience for performing the responsibilities of Independent Directors. His qualification of appointment complies with relevant laws and regulations and the requirements of the Articles of Association with respect to the qualification of appointment of Independent Directors, and the process and procedures for the nomination complies with the relevant requirements of the “Company Law”, the Articles of Association, the “Rules Governing the Listing of Securities on the Shanghai Stock Exchange” and the “Guidelines of Shanghai Stock Exchange on the Filing and Training of Independent Directors of Listed Companies” (《上海證券交易所上市公司獨立董事備案及培訓工作指引》).

2. Nomination of senior management

On 3 March 2017, the “Proposal on Termination of Appointment of Ms. Chen Jing as a Member of the Executive Committee and the Vice President of the Company” and the “Proposal on Appointment of Ms. Wei Xiaohui as a Member of the Executive Committee and the Vice President of the Company”, were considered and approved at the 21st meeting (extraordinary) of the third session of the Board.

On 20 December 2017, the “Proposal on Appointment of Mr. Wu Guofang as a Member of the Executive Committee and the Chief Business Officer of the Company”, was considered and approved at the 35th meeting (extraordinary) of the third session of the Board.

Independent Directors are of the opinion that the procedures for the nomination, appointment and removal of senior management of the Company were in compliance with the relevant laws and regulations and the requirements of the Articles of Association in relation to the qualification of appointment and they approved the appointment and removal of senior management of the Company.

3. *Remuneration Settlement*

On 27 November 2017, the 34th meeting (extraordinary) of the third session of the Board was held, at which the “Proposal for the Remuneration Settlement Plan for Senior Management for the Years from 2015-2016” was considered and passed. Independent Directors are of the opinion that such proposal does not damage the interest of the Company and investors.

(v) Performance forecast and preliminary results

During the reporting period, the Company had not issued any performance forecast or preliminary results.

(vi) Appointment of accounting firms

The “Proposal on the Re-appointment of External Auditing Firms for 2017” was considered and passed at the 2016 annual general meeting of the Company, pursuant to which Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) and Deloitte Touche Tohmatsu were re-appointed as external auditing firms of the Company for 2017 to provide the relevant audit and review services in accordance with the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively.

Independent Directors consider that, as external auditing firms of the Company for 2016, Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu have fully performed various duties during the audit and successfully completed the audit work. They possess the experience and abilities to provide audit services for the Company. The appointment of the abovementioned accounting firms can meet the Company’s requirements for audit work. In addition, the decision-making procedures for the appointment are in compliance with laws and regulations and the Articles of Association of the Company and have not harmed the interests of the Company and Shareholders, and can meet the quality requirements of the Company’s audit work for 2017. The re-appointment to serve as the Company’s external auditing firms for 2017 is approved.

(vii) Cash dividends and other returns for investors

On 30 March 2017, the profit distribution plan of the Company for 2016 was considered and passed at the 23rd meeting (regular) of the third session of the Board, pursuant to which, the Company proposed to distribute a cash dividend of RMB1,571,275,107.34 (tax inclusive), representing 30.49% of the net profit attributable to owners of the Company for 2016. Based on the Company's total share capital of 10,137,258,757 Shares upon completion of the A Share initial public offering as at 23 January 2017, a cash dividend of RMB1.55 (tax inclusive and the actual amount distributed may be slightly different due to rounding) for every 10 Shares is proposed to be distributed. On 22 June 2017, such plan was considered and approved at the 2016 annual general meeting of the Company.

Independent Directors are of the opinion that the distribution plan is in the interest of Shareholders as a whole and their long-term interests, which is conducive to the long-term development of the Company.

(viii) Fulfilment of undertakings by the Company and its Shareholders

During the reporting period, all undertakings made by the Company and its Shareholders in relation to the initial public offering of A Shares had been performed in accordance with laws.

(ix) Implementation of information disclosure

During the reporting period, the Company performed its information disclosure obligations in strict compliance with the requirements of relevant laws and regulations including the "Rules Governing the Listing of Securities on the Shanghai Stock Exchange" and the "Management System for Information Disclosure", and the content of the announcements was true, accurate, complete, and had no false information, misleading statements or material omissions, so as to guarantee that the information was disclosed in a timely and fair manner and ensure that investors could understand the Company's significant matters in a timely manner and protected the legal rights of the Company's shareholders. In 2017, the Company issued a total of 379 information disclosure documents. The disclosure in all announcements were standardized, true, accurate, complete, timely and fair.

(x) Implementation of internal control

During the reporting period, the Company improved the internal control mechanism, standardized business processes and improved management system in accordance with regulatory requirements to ensure that internal control is carried out in the full process from decision-making, implementation to monitoring and covers all business and management sectors of the Company. The Company has established and effectively implemented internal control for the businesses and matters that fell into the scope of assessment and thus achieved the goal of internal control. After carefully reviewing the "Internal Control Assessment Report of the Company for 2016" from the

Board, Independent Directors are of the view that as at the base date of the Internal Control Assessment Report, the Company had no material defect in internal control in respect of financial reporting or non-financial reporting. The Company has maintained, in all material respects, effective internal control in accordance with the Basic Standards for Internal Control of Enterprises and the relevant provisions.

(xi) Operation of the Board and its special committees

During the reporting period, the Board and its special committees conducted work in accordance with the requirements of laws and regulations, the Articles of Association and work rules. The special committees had given full play to the expertise of Independent Directors, provided effective professional advice on significant matters for decision-making and assisted the Board in reasonable decision-making. In 2017, a total of 16 Board meetings and 22 meetings of the special committees under the Board were held, including 3 meetings of the Strategy and Development Committee, 4 meetings of the Risk Management Committee, 8 meetings of the Audit Committee and 7 meetings of the Nomination and Remuneration Committee.

Independent Directors are of the opinion that the Board and the special committees under the Board operated in accordance with laws and regulations, all significant matters have been fully discussed and reviewed, the decision-making is reasonable and effective, and the Board and its special committees have operated in an effective manner.

IV. OVERALL EVALUATION

All Independent Directors have been able to comply with laws and regulations and the Articles of Association and have sufficient time and energy to perform their duties during their tenure. When making independent judgments, they have been able to carefully safeguard the lawful interest of all Shareholders of the Company, especially those of the minority Shareholders. They have carefully considered all resolutions, given full play to their business expertise, provided opinions and advice for the development of the Company, promoted the reasonable and efficient decision-making of the Board, and diligently fulfilled their duties as Independent Directors.

Independent Directors: Liu Feng, Luo Lin, Wu Yuwu, Liu Ruizhong

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