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

## **ANNOUNCEMENT ON CHANGES IN ACCOUNTING POLICIES**

On 27 March 2020, the board of directors of China Galaxy Securities Co., Ltd. (the “**Company**”) considered and approved the resolution regarding the amendments to the major accounting policies and accounting estimates of the Company. The resolution is not subject to the consideration and approval at the general meeting. Details of the resolution are set out as follows:

### **I. SUMMARY OF THE CHANGES IN ACCOUNTING POLICIES**

- (1) Pursuant to the requirements of the “Accounting Standards for Business Enterprises No. 21 – Leases” (the “**New Lease Standards**”) issued by the Ministry of Finance of the People's Republic of China (the “**Ministry of Finance**”), enterprises that are listed both domestically and overseas shall implement the New Lease Standards since 1 January 2019.

Prior to the changes in accounting policies, the Company implemented the “Accounting Standards for Business Enterprises – Basic Standards” and various specific accounting standards, application guidance and interpretations announcements to the Accounting Standards for Business Enterprises and other related regulations as issued by the Ministry of Finance. Subsequent to the changes in accounting policies, the Company will implement the above amended standards and relevant requirements. For any part that remains unchanged, the original “Accounting Standards for Business Enterprises – Basic Standards” and various specific accounting standards, application guidance and interpretations announcements to the Accounting Standards for Business Enterprises and other related regulations will continue to apply.

- (2) Based on the actual operating condition of the Company, the recognition standards for the Company's fixed assets and intangible assets have been increased from a unit price of RMB2,000 to RMB5,000, which shall be applicable from 27 March 2020.

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

The New Lease Standards unify the accounting treatment of lessees under operating leases and financing leases. Except for eligible short-term leases and leases of low-value assets, lessees are required to recognize right-of-use assets and lease liabilities at the initial measurement. When dealing with subsequent measurement, for right-of-use assets, depreciation is provided during the lease term, and the impairment is assessed with corresponding accounting treatment carried out; for lease liabilities, the interest expense is accrued during the lease term. For short-term leases and low-value asset leases, the relevant asset costs or current profits and losses are included in a systematic and reasonable method.

Pursuant to the New Lease Standards, the Company has implemented the New Lease Standards since 1 January 2019 and adopted retrospective adjustments without restating comparative data. After evaluation, the change in accounting policies will increase the total assets and total liabilities of the Group, but will not have a significant impact on the owner's equity and net profit.

## **III. DETAILS OF THE CHANGES IN ACCOUNTING ESTIMATES AND THEIR IMPACT ON THE COMPANY**

According to the accounting standards, changes in the recognition criteria for fixed assets and intangible assets are changes in accounting estimates, and the subsequent processing are performed using the prospective application method. After evaluation, the changes have no impact on the Company's 2019 financial statements, and will not have a significant impact on the financial position, operation results and cash flow in 2020.

## **IV. CONCLUSIVE OPINIONS OF THE INDEPENDENT DIRECTORS, SUPERVISORY COMMITTEE AND ACCOUNTANT**

### **(1) OPINIONS OF INDEPENDENT DIRECTORS**

The independent directors of the Company believe that the changes in accounting policies and accounting estimates are reasonable changes made in accordance with the relevant regulations of the Ministry of Finance and the actual operating conditions of the Company, and in compliance with relevant provisions of the Ministry of Finance, China Securities Regulatory Commission and Shanghai Stock Exchange, which can objectively and fairly reflect the Company's financial status and operating results. The decision-making procedures for the changes in accounting policies and accounting estimates are in compliance with relevant laws and regulations and the articles of association of the Company, and there is no situation that harms the interest of the Company and shareholders. The independent directors agreed with the changes in the Company's accounting policies and accounting estimates.

## **(2) OPINIONS OF SUPERVISORY COMMITTEE**

The supervisory committee of the Company believes that the changes in accounting policies and accounting estimates are in compliance with the relevant provisions of the Ministry of Finance and the Accounting Standards for Business Enterprises and are in the interests of the Company and shareholders. The review procedures for the changes in accounting policies and accounting estimates are in compliance with relevant laws and regulations and the articles of association of the Company.

## **(3) OPINIONS OF ACCOUNTANT**

Ernst & Young Hua Ming LLP (special general partnership) issued a special report on the above changes in accounting policies and accounting estimates.

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

Beijing, the PRC  
29 March 2020

*As at the date of this announcement, the executive directors of the Company are Mr. CHEN Gongyan (Chairman) and Mr. CHEN Liang (Vice Chairman and President); the non-executive directors are Mr. LIU Dingping, Ms. XIAO Lihong, Mr. ZHANG Tianli and Ms. WANG Zelan; and the independent non-executive directors are Mr. LIU Ruizhong, Mr. WANG Zhenjun and Ms. LIU Chun.*