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

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The board of directors of China Galaxy Securities Co., Ltd. (the “**Company**”) hereby announces the audited annual results of the Company and its subsidiaries for the year ended 31 December 2019. This announcement, containing the full text of the 2019 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in relation to information to accompany preliminary announcements of annual results. The printed version of the Company’s 2019 annual report will be dispatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.chinastock.com.cn by the end of April 2020.

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

Beijing, the PRC
27 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.

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DEFINITIONS

“A Share(s)”	domestic shares in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the SSE, subscribed for and traded in Renminbi
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“Board” or “Board of Directors”	the board of Directors of the Company
“CG Code”	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Stock Exchange Listing Rules
“Company”, “we” or “us”	China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司), a joint stock limited company incorporated in the PRC on 26 January 2007, whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 06881), the A Shares of which are listed on the SSE (Stock Code: 601881)
“Company Law”	the Company Law of the People's Republic of China
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Directors”	directors of the Company
“End of the Reporting Period”	31 December 2019
“ETF”	exchange-traded funds
“Futures IB Business”	the business activities in which securities firms, as commissioned by futures companies, introduce clients to futures companies to provide futures brokerage and other related services
“Galaxy Capital”	Galaxy Capital Management Company Limited (銀河創新資本管理有限公司), owned as to 100% by the Company, a wholly-owned subsidiary of the Company
“Galaxy Financial Holdings”	China Galaxy Financial Holdings Limited (中國銀河金融控股有限責任公司), the controlling shareholder of the Company, which holds 51.16% of the issued share capital of the Company
“Galaxy Fund Management”	Galaxy Fund Management Company Limited (銀河基金管理有限公司), owned as to 50% by Galaxy Financial Holdings, a non-wholly owned subsidiary of Galaxy Financial Holdings
“Galaxy Futures”	Galaxy Futures Company Limited (銀河期貨有限公司), owned as to approximately 83.32% by the Company, a non-wholly owned subsidiary 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), owned as to 100% by the Company, a wholly-owned subsidiary of the Company

DEFINITIONS

“Galaxy Investment”	China Galaxy Investment Management Company Limited (中國銀河投資管理有限公司), owned as to 100% by Galaxy Financial Holdings, a wholly-owned subsidiary of Galaxy Financial Holdings
“Galaxy Jinhui”	Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金匯證券資產管理有限公司), owned as to 100% by the Company, a wholly-owned subsidiary of the Company
“Galaxy Yuanhui”	Galaxy Yuanhui Investment Co., Ltd. (銀河源匯投資有限公司), owned as to 100% by the Company, a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the Hong Kong Stock Exchange and subscribed for and traded in HK dollars
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huijin”	Central Huijin Investment Ltd. (中央滙金投資有限責任公司), which held an equity interest of 69.07% of Galaxy Financial Holdings
“IPO”	Initial Public Offering
“margin and securities refinancing”	a business in which securities firms can act as intermediaries to borrow funds or securities from the China Securities Finance Co., Ltd. and lend such funds and securities to their clients
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Companies set out in the Appendix 10 to the Stock Exchange Listing Rules
“New OTC Board”	National Equities Exchange and Quotations for medium and small-sized enterprises
“PRC” or “China”	the People’s Republic of China, and for the purposes of this report, excluding Hong Kong, Macau Special Administrative Region and Taiwan region
“QDII”	Qualified Domestic Institutional Investor
“QFII”	Qualified Foreign Institutional Investor
“Reporting Period”	the period from 1 January 2019 to 31 December 2019
“RM”	Malaysian ringgit, the lawful currency of Malaysia

DEFINITIONS

“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RQFII”	Renminbi Qualified Foreign Institutional Investor, a pilot program launched in the PRC which allows Hong Kong subsidiaries of PRC brokerage companies and fund houses to facilitate investments of offshore Renminbi into the PRC capital markets
“SASAC”	the State-owned Assets Supervision and Administration Committee of the State Council (國務院國有資產監督管理委員會)
“Securities Law”	the Securities Law of the People’s Republic of China
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“S\$” or “Singapore dollar”	Singapore dollars, the lawful currency of Singapore
“SHCI”	the Shanghai Composite Index
“SSE”	the Shanghai Stock Exchange
“SSE Listing Rules”	the Rules Governing the Listing of Securities on the SSE (as amended from time to time)
“Stock Exchange Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
“Supervisors”	supervisors of the Company
“Supervisory Committee”	the supervisory committee of the Company
“SZCI”	the Shenzhen Component Index
“SZSE”	the Shenzhen Stock Exchange
“US\$” or “U.S. dollars” or “USD”	United States dollars, the lawful currency of the United States
“VaR”	value at risk

Notes:

1. In this report, any discrepancies between totals and sums of amounts listed are due to rounding.
2. This report is prepared in both Chinese and English languages and in the event of any inconsistency, the Chinese version shall prevail.

SECTION I IMPORTANT NOTES

The Board of Directors, Supervisory Committee, Directors, Supervisors and senior management of the Company undertake that there is no misrepresentation, misleading statement or material omission in this report and they are jointly and severally liable for the authenticity, accuracy and completeness of the information contained in this report.

This report has been approved at the 57th meeting of the 3rd session of the Board of Directors, with nine Directors attended and voted at the meeting. No objection was put forward by Directors and Supervisors for this report.

The financial report for 2019 was prepared by the Company according to the International Financial Reporting Standards ("IFRS") and the PRC Corporate Accounting Standards ("PRC GAAP"), which has been audited by Ernst & Young and Ernst & Young Hua Ming LLP and they have issued an standard auditors' report with unqualified opinions. Unless otherwise stated, the amounts in this report are presented in RMB.

Mr. Chen Gongyan, the chairman of the Company, Mr. Chen Liang, vice chairman and president, Mr. Wu Chengming, person in charge of the accounting affairs, hereby confirm that the financial report as disclosed in this report is true, accurate and complete.

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

The risks that the Company faces mainly include: legal and compliance risks as a result of our business management and norms failing to follow up in a timely manner to meet the adjustment in laws and regulations as well as the rules of regulatory bodies; strategic risks arising from the formulation of strategy plan under profound changes in domestic and overseas capital markets; risks of internal operations and management arising from changes of business model transformation, commencement of innovative business and changes of new technologies; market risk caused by price fluctuation in the market in which the Company holds positions of securities; credit risks arising from breach of contracts by borrowers or counterparties; liquidity risk arising from shortage of funds when the Company attempts to fulfil its obligations of payment; and operational risk arising from the omission of the internal process management, the failure of the information system or the improper conduct of staff. In addition, the Company is also exposed to risks from international competition and fluctuations in exchange rate, etc.

The Company will work on its organizational structure, management system, information technologies and other aspects to prevent the above mentioned risks. At the same time, the Company will optimize its business process to control operational risks, manage its exposure to market risk and credit risk, and will pay additional attention to monitoring risks arising from innovative businesses and products.

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

I. COMPANY PROFILE

1. Name of the Company

Chinese Name: 中國銀河證券股份有限公司

Abbreviation of Chinese name: 中國銀河

English Name: China Galaxy Securities Co., Ltd.

Abbreviation of English name: CGS

2. Legal representative: Chen Gongyan

General manager (president): Chen Liang

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

Net Capital: RMB69,016,811,519.68

4. Qualification of individual business

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

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

- (12) Qualified block-trader of SZSE
- (13) Qualified block-trader of SSE
- (14) Qualified electronic platform for SSE for IPO offline subscription
- (15) Qualified electronic platform for SZSE for EIPO offline issue
- (16) Primary dealer at SSE for fixed income integrated system
- (17) Qualified block-trader investor of SSE
- (18) Qualification for national inter-bank lending business
- (19) Qualification for pilot direct investment business
- (20) Qualification for margin financing and securities lending business
- (21) Qualification for stock-index futures trading business
- (22) Qualification for pilot securities-based lending business
- (23) Qualification for SSE dealer-quoted bond repurchase business
- (24) Member of the China Securities Association in fund evaluation
- (25) Qualification for offering comprehensive services for insurance institutional investors
- (26) Qualification for engagement in foreign securities investment and management businesses as QDII
- (27) Qualification for pilot business of private placement of bonds for small and medium-sized enterprises
- (28) Qualification for offering debt financing instruments for non-financial companies as a lead underwriter
- (29) Qualification for financial products agency sales business
- (30) Qualification for business engagement with special institutional clients of insurance institutions
- (31) Authorized for securities-based lending transactions (approved by the SZSE)
- (32) Qualification for equity swap services
- (33) Qualification for OTC trading

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

- (34) Qualification for pilot short selling business
- (35) Qualification for stock lending business under margin and securities refinancing
- (36) Qualification for pilot business engagement of comprehensive custodian services for private fund
- (37) Qualification for chief agency broker in national share transfer system
- (38) Qualification for in interest swap business
- (39) Authorized for dealer-quoted securities repurchase business transactions (approved by the SSE)
- (40) Authorized for dealer-quoted securities repurchase transactions (approved by the SZSE)
- (41) Authorized for dealer-quoted repurchase transactions
- (42) Qualification for digital certificate authentication agency business
- (43) Qualification for engagement in relevant businesses at Zhejiang Equities Exchange Centre
- (44) Qualification for pilot margin and securities refinancing business
- (45) Qualification for pilot securities-based repurchase transactions business (approved by the SSE)
- (46) Qualification for pilot consumption payment service for clients with securities funds
- (47) Qualification of concurrent-business insurance agency
- (48) Qualification for pilot Internet securities business
- (49) Qualification for participation in simulated options trading by proprietary trading business (approved by SSE)
- (50) Qualification for pilot OTC income certificates business
- (51) Qualification for securities investment fund custodian
- (52) Qualification for market making business for nationwide shares transfer system
- (53) Authorized for Hong Kong Stock Connect business transactions
- (54) Qualification for gold spot contract agency business
- (55) Membership of Shanghai Gold Exchange

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

- (56) Qualified of participant of quotation and service system for inter-institutional private equity products
- (57) Qualified of stock options trading participant of the SSE
- (58) Qualification for options clearing business
- (59) Innovative scheme for account opening through WeChat
- (60) Qualification for engagement of debt financing instruments quotation business for non-financial corporations
- (61) Membership of Asset Management Association of China
- (62) Membership of China Futures Association
- (63) Membership of Insurance Asset Management Association of China
- (64) Filing qualification as outsourced services provider for private investment funds
- (65) Authorized for Hong Kong Stock Connect business transactions under the Shenzhen-Hong Kong Stock Connect
- (66) Qualification for sales of precious metal products
- (67) Qualification for commodity swap dealers
- (68) Qualification for crude oil futures business
- (69) Qualification for pilot cross-border business
- (70) Qualification for non-equity return swaps business
- (71) Qualification for SSE bond pledge agreed repurchase
- (72) Qualification for SSE listed fund primary market-maker
- (73) Qualification for national debts and futures market-maker
- (74) Qualification for credit derivative business
- (75) Qualification for SZSE stock options trading participant
- (76) Qualification for Pilot Fund Investment Advisory Business

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

5. Headquarters in the PRC

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

6. Principal Place of Business in Hong Kong

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

7. Secretary to the Board

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

8. Joint Company Secretaries

Wu Chengming, Lee Kwok Fai Kenneth

9. Authorized Representatives of the Company

Liu Dingping, Lee Kwok Fai Kenneth

10. Listing of H Shares: HKEX

Stock Code: 6881 Stock Name: CGS

11. Listing of A Shares: SSE

Stock Code: 601881 Stock Name: CGS

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

Name of media designated for information disclosure of the Company: China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily

Website designated by the CSRC for publishing annual reports: <http://www.sse.com.cn>

Location designated for maintaining the Company's annual report: Tower C, Corporate Square, 35 Finance Street, Xicheng District, Beijing, PRC

13. Website for Disclosure of Information for H Shares

<http://www.hkexnews.hk>

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

II. HISTORY

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

According to the restructuring proposal approved by the State Council and relevant approvals from CSRC, China Galaxy Securities Co., Ltd. acquired the securities brokerage business, investment banking business and related assets from China Galaxy Securities Company Limited. The Company was duly established with registered capital of RMB6 billion after completion of its registration on 26 January 2007 pursuant to the Approval of Business Commencement of China Galaxy Securities Co., Ltd. (CSRC Ji Gou Zi [2006] No. 322) issued by CSRC. China Galaxy Securities Company Limited was renamed as “China Galaxy Investment Management Company Limited” and ceased to engage in securities business.

In 2010, China General Technology (Group) Holding Limited transferred its 2 million shares then held by it to Zhejiang Tianlang Investment Management Company Limited (浙江天朗投資管理有限公司). CSRC Beijing Bureau issued the Letter of No-Objection Concerning the Change of Shareholders with Less than 5% Shareholding of China Galaxy Securities Co., Ltd. (Jing Zheng Ji Gou Fa [2010] No. 226) in respect of the captioned transfer, and the Company completed relevant procedures concerning the change of equity rights according to related requirements.

In 2011, Beijing Qingyuan Defeng Venture Capital Co., Ltd. (北京清源德豐創業投資有限公司) transferred 2 million shares then held by it to Shougang Corporation (首鋼總公司). CSRC Beijing Bureau issued the Letter of No-Objection Concerning the Change of Shareholders with Less than 5% Shareholding of China Galaxy Securities Co., Ltd. (Jing Zheng Ji Gou Fa [2012] No. 2), and the Company completed relevant procedures concerning the change of equity interest according to related requirements in respect of the captioned transfer.

In 2012, Galaxy Financial Holdings transferred the economic interests attributable to an aggregate of 628.878017 million shares to 30 institutions including PICC P&C and 3 individuals. On 8 October 2012, 18 October 2012, 27 November 2012 and 10 December 2012, CSRC Beijing Bureau issued the Letter of No-Objection Concerning the Change of Shareholders with Less than 5% Shareholding of China Galaxy Securities Co., Ltd. (Jing Zheng Ji Gou Fa [2012] No. 149), Letter of No-Objection Concerning the Change of Shareholders with Less than 5% Shareholding of China Galaxy Securities Co., Ltd. (Jing Zheng Ji Gou Fa [2012] No. 158), Letter of No-Objection Concerning the Change of Shareholders with Less than 5% Shareholding of China Galaxy Securities Co., Ltd. (Jing Zheng Ji Gou Fa [2012] No. 166), and Letter of No-Objection Concerning the change of Shareholders with Less than 5% Shareholding of China Galaxy Securities Co., Ltd. (Jing Zheng Ji Gou Fa [2012] No. 171), respectively, and the Company completed relevant procedures concerning the changes of equity rights according to related requirements.

The Company successfully listed its H Shares on the Hong Kong Stock Exchange on 22 May 2013. Following the exercise of over-allotment option on 13 June 2013, there were 1,606,604,500 H Shares in issue, among which, 69,345,743 H Shares were sold by the National Council for Social Security Fund and the remaining 1,537,258,757 H Shares were new shares issued by the Company. The registered capital of the Company was increased to RMB7,537 million.

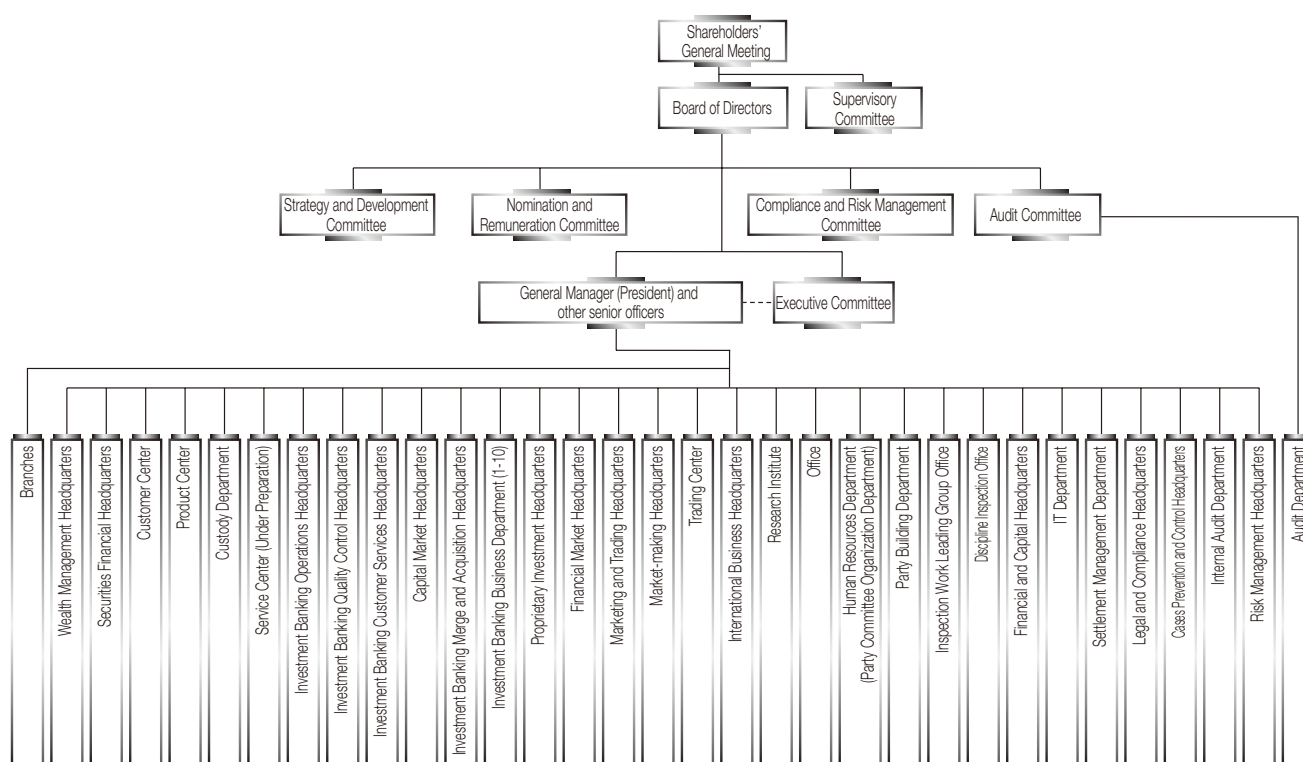
On 5 May 2015, the Company placed an aggregate of 2,000,000,000 H Shares and the total issued share capital of the Company was increased to RMB9,537 million.

In January 2017, the Company conducted an initial public offering of 600,000,000 A Shares, which became listed on the SSE on 23 January 2017. The Company's registered capital was increased to RMB10,137 million.

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

III. ORGANIZATIONAL STRUCTURE

In accordance with the requirements of the Company Law, the Securities Law, the Guidelines for the Internal Control of Securities Companies, the relevant regulations and rules of CSRC, the Stock Exchange Listing Rules and the Articles of Association, the Company regulates its operations and constantly improves the operational and governance system for its general meeting, the Board of Directors, the Supervisory Committee and the management operations. The Company has established standardized and scientific governance structure, and set up an organizational structure that meets its development needs. The organizational structure of the Company is set out as follows:



IV. NUMBERS AND DISTRIBUTION OF SECURITIES BRANCHES

As at the End of the Reporting Period, the Company has 493 securities branches located across in 31 provinces, autonomous regions and municipalities directly under the central government in the PRC. Among these branches, 79 are located in Guangdong Province, 67 in Zhejiang Province, 41 in Shanghai, 37 in Beijing, 32 in Jiangsu Province, 21 in Shanxi Province, 21 in Fujian Province, 19 in Shandong Province, 18 in Liaoning Province, 15 in Sichuan Province, 14 in Hubei Province, 14 in Anhui Province, 12 in Chongqing, 12 in Hunan Province, 12 in Henan Province, 9 in Hebei Province, 8 in Yunnan Province, 8 in Jiangxi Province, 8 in Heilongjiang Province, 6 in Shaanxi Province, 5 in Xinjiang Uygur Autonomous Region, 5 in Inner Mongolia Autonomous Region, 5 in Guangxi Zhuang Autonomous Region, 4 in Tianjin, 4 in Qinghai Province, 4 in Ningxia Hui Autonomous Region, 4 in Gansu Province, 3 in Jilin Province, 3 in Guizhou Province, 2 in Hainan Province and 1 in Tibet Autonomous Region.

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

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

V. SUBSIDIARIES AND BRANCHES

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

Name	Registered Address	Date of incorporation	Registered Capital	Legal Representative/ person in charge	Percentage of shareholding	Telephone
Galaxy Futures	Unit 1101, 11/F, Block 1, No. 16 Chaowai Street, Chaoyang District, Beijing	25 December 2006	RMB1.2 billion	Yang Qing	83.32%	010-68569588
Galaxy Capital	2/F, Tower C, 1st Building, No. 35 Finance Avenue, Xicheng District, Beijing	21 October 2009	RMB1.0 billion	You Chun	100%	010-66067785
Galaxy International Holdings	20th Floor, Wing On Centre, 111 Connaught Road Central, Sheung Wan, Hong Kong	9 February 2011	HKD3.261 billion	Liu Hongye	100%	(852)36986888
Galaxy Jinhui	Room 201, Block A, No.1, Qianwan Road 1, Qianhai Shenzhen – Hong Kong Cooperative District, Shenzhen (Shenzhen Qianhai Commerce Secretariat Co., Ltd.)	25 April 2014	RMB1.0 billion	Yin Yanwu	100%	010-66237433
Galaxy Yuanhui	Room 3104, 31/F, 99 Fucheng Road, China (Shanghai) Pilot Free Trade Zone	10 December 2015	RMB3.0 billion	Wu Lihong	100%	021-60751758

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

(2) On 26 February 2019, the 48th meeting of the third session of the Board of Directors of the Company reviewed and approved the “Proposal on Reviewing the Capital Increase to Galaxy Capital Management Company Limited”. According to business development needs, it was agreed to increase capital in Galaxy Capital, and the registered capital increased from RMB1 billion to RMB1.5 billion. As of the date of this report, the capital increase was still in progress.

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

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

VI. OTHER RELATED INFORMATION

Accounting firm engaged by the Company (domestic)	Name	Ernst & Young Hua Ming LLP
	Office address	16/F, Ernst & Young Tower, 1 East Changan Avenue, Dongcheng District, Beijing, PRC
	Names of signing accountants	Leung Shing Kit, Song Xueqiang
Accounting firm engaged by the Company (overseas)	Name	Ernst & Young
	Office address	22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
	Names of signing accountants	Leung Shing Kit
Sponsor performing continuous monitoring and guidance duties	Name	CITIC Securities Company Limited
	Office address	North Block, Excellence Times Plaza (Phase 2), 8 Zhongxin Third Road, Futian District, Shenzhen, Guangdong Province, PRC
	Name of signing sponsor representative	Wu Hao, Zhao Wencong
	Period of continuous monitoring and guidance	From 23 January 2017 to 31 December 2019
Sponsor performing continuous monitoring and guidance duties	Name	CITIC Investment Securities Co., Ltd.
	Office address	188 Chaonei Avenue, Dongcheng District, Beijing, PRC
	Name of signing sponsor representative	Lv Xiaofeng, Zhuang Yunzhi
	Period of continuous monitoring and guidance	From 23 January 2017 to 31 December 2019

Note: The "Letter in relation to the Change of On-Going Monitoring Sponsor Representative for the IPO of Shares of China Galaxy Securities Co., Ltd." was received from CSC Financial Co., Ltd., one of the joint sponsors of the initial public offering of A Shares of the Company on 20 March 2020. Due to other work arrangement, Mr. Zhuang Yunzhi, the original sponsor representative, would be unable to fulfil the duties of the sponsor representative. CSC Financial Co., Ltd. has assigned Mr. Pan Ke to succeed the position and perform the duties for on-going monitoring. Upon such change, the sponsor representative appointed by CSC Financial Co., Ltd. changed to Mr. Lv Xiaofeng and Mr. Pan Ke.

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

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

Profit (RMB'000)

Item	2019	2018	2019 (compared with 2018) increase/ decrease	2017	2016	2015
Revenue and other income	23,493,492	16,234,970	44.71%	15,985,837	18,403,114	33,759,274
Total expenses	16,674,249	12,550,299	32.86%	11,177,182	11,826,483	20,625,303
Profit before income tax	6,830,129	3,682,094	85.50%	4,808,655	6,576,631	13,133,971
Profit for the year-attributable to owners of the Company	5,228,429	2,887,127	81.09%	3,980,730	5,153,546	9,835,510

Assets (RMB'000)

Item	2019/12/31	2018/12/31	2019/12/31 (compared with 2018/12/31) increase/ decrease	2017/12/31	2016/12/31	2015/12/31
Total assets	315,665,878	251,363,291	25.58%	254,814,966	245,880,520	300,655,551
Total liabilities	243,744,179	185,025,430	31.74%	189,928,533	187,526,621	243,406,135
Accounts payable to brokerage clients	80,508,860	56,695,274	42.00%	64,787,132	90,404,209	117,992,209
Equity attributable to owners of the Company	70,895,595	65,982,088	7.45%	64,513,027	57,988,546	56,913,566
Total share capital	10,137,259	10,137,259	0.00%	10,137,259	9,537,259	9,537,259

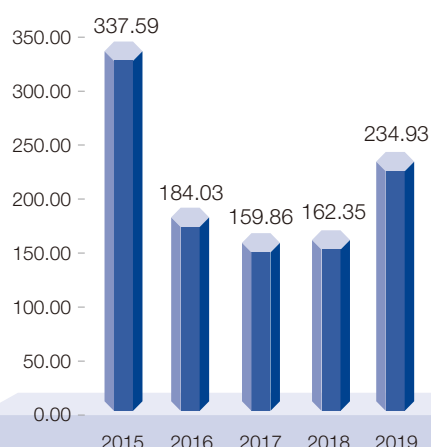
Key Financial Indicators

Item	2019	2018	2017	2016	2015
Basic earnings per share	0.52	0.28	0.39	0.54	1.11
Diluted earnings per share	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Weighted average return on net assets	7.64%	4.40%	6.33%	8.97%	21.33%
Gearing ratio (%) ¹	69.42%	65.92%	65.85%	62.47%	68.66%
Net assets attributable to owners of the Company (RMB/share)	6.99	6.51	6.36	6.08	5.97

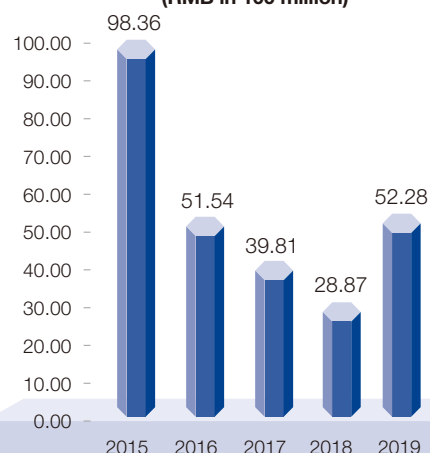
¹ Gearing ratio = (Total liabilities – Accounts payable to brokerage clients)/(Total assets – Accounts payable to brokerage clients)

SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

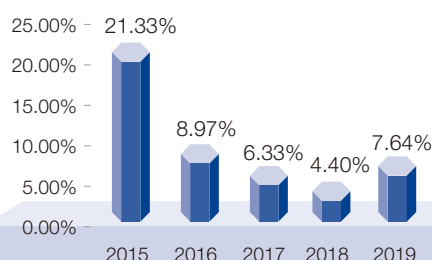
**Revenue and other income
(RMB in 100 million)**



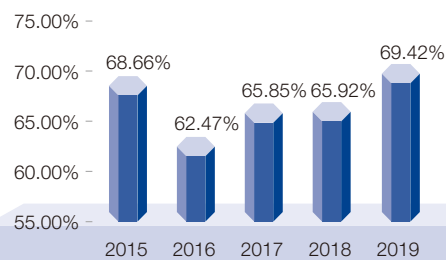
**Profit for the year-attributable to owners
of the Company
(RMB in 100 million)**



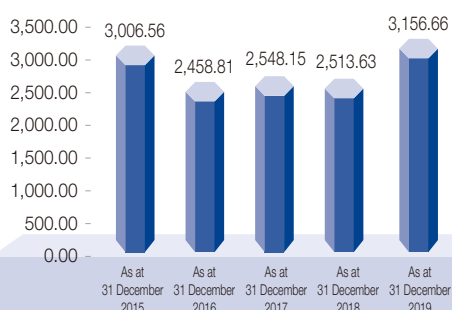
Weighted average return on net assets (%)



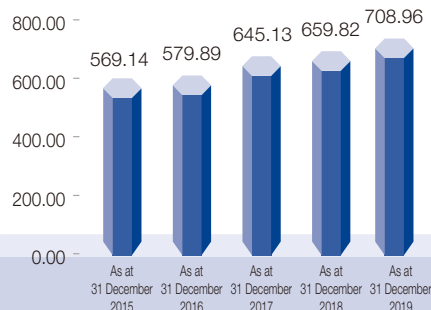
Gearing ratio (%)



**Total assets
(RMB in 100 million)**



**Equity attributable to owners of the Company
(RMB in 100 million)**



SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INFORMATION

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

There is no difference between the net profits for 2019 and 2018 as well as the net assets as at 31 December 2019 and 31 December 2018 included in the consolidated financial statements of the Company prepared in accordance with IFRS and those items for the same period and as at the same dates included in the consolidated financial statements of the Company prepared in accordance with PRC GAAP.

VIII. NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS

During the Reporting Period, the Company's relevant risk control indicators regarding its net capital have complied with relevant regulatory requirements. As at the End of the Reporting Period, the major risk control indicators of the Company are as follows:

Unit: Yuan Currency: RMB

Item	2019	2018
Net Capital	69,016,811,519.68	61,919,056,297.82
Net Assets	68,812,993,726.55	64,435,083,387.46
Net Capital/sum of risk provisions (%)	367.00%	320.39%
Net Capital/Net Assets (%)	100.30%	96.10%
Net Capital/Liabilities (%)	45.69%	52.22%
Net Assets/Liabilities (%)	45.56%	54.34%
Proprietary Equity Securities and Derivatives/Net Capital (%)	18.39%	20.89%
Proprietary Fixed-income Securities and Derivatives/Net Capital (%)	138.40%	110.94%
Capital Leverage (%) ^(Note 1)	25.42%	29.31%
Liquidity Coverage (%) ^(Note 2)	307.93%	312.02%
Net Stable Funding Ratio (%) ^(Note 3)	125.88%	144.27%

Notes:

1. Capital leverage = core net assets/total assets included and excluded in the statements × 100%, where the core net assets include risk adjustment for contingent liabilities such as guarantees.
2. Liquidity Coverage = quality current assets/net cash outflow in the coming 30 days × 100%
3. Net Stable Funding Ratio = available stable fund/required stable fund × 100%

SECTION III COMPANY BUSINESS OVERVIEW

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

(I) Primary business types of the Group

The Group is a leading investment bank in Asian capital market and a securities financial institution of systematic significance, and provides comprehensive securities services, including brokerage, sales and trading, investment banking and investment management.

The principal businesses of the Group include:

Brokerage, Sales and Trading	Investment Banking	Investment Management	Overseas Business
Brokerage and wealth management	Equity financing	Proprietary trading and other securities trading services	Brokerage and sales
Institutional sales and investment research	Debt financing	Private equity investment	Investment banking
Margin financing and securities lending and stocks pledge	Financial advisory	Alternative investment	Investment management
Asset management			Asset management

Brokerage, Sales and Trading

1. Brokerage and wealth management: We execute trades on behalf of clients in stocks, funds, bonds, derivatives and futures, and provide comprehensive wealth management services to our clients.
2. Institutional sales and investment research: We market and sell securities products and services to institutional investor clients and provide professional research services to facilitate their investment decisions.
3. Margin financing and securities lending and stocks pledge: We provide guaranteed and collateralized margin financing and securities lending services, which provide financial leverage for our clients to meet their financing demands and vitalize their equity assets.
4. Asset management: We charge management and advisory fees through providing professional asset management services for individual and institutional clients in the form of collective asset management schemes, targeted asset management schemes and special asset management schemes.

Investment Banking

We charge underwriting commissions and sponsorship and advisory fees through underwriting stocks and bonds and providing financial advisory services.

Investment Management

We engage in proprietary trading and provide other securities trading services to enhance liquidity for clients and accommodate our clients' investment and financing needs. We also obtain investment income through conducting private equity investment and alternative investment.

Overseas Business

We provide brokerage and sales, investment banking, research and asset management services to global institutional clients, corporate clients and retail customers through Galaxy International Holdings, which is set up in Hong Kong, as an overseas business platform.

SECTION III COMPANY BUSINESS OVERVIEW

(II) Operational model of the Group

During the Reporting Period, the Company's business model was "Dual-wheel Drive and Coordinated Development". "Dual-wheel Drive": One wheel is wealth management, which represents the integration and development of big brokerage and big asset management business to provide customers with comprehensive wealth management services. The other wheel is big investment banking to support the real economy and serve enterprises in financing. "Coordinated Development": In accordance with the Company's new management system of "centralized planning + line management", the Company strengthened its centralized planning and management, improved the development of its products, customer, data and service center, and strengthened the comprehensive business and management coordination mechanism in order to transform its branches into regional comprehensive financial service centers in full efforts.

To conform to the requirement of the opening up and development of the industry, the Company has timely adjusted its business development model and supporting management system to promote the coordination of its dual-wheel businesses, step up its overseas business development, and reshape the market position and public image of the Company, striving to achieve the strategic objective of "building a carrier securities broker and a modern investment bank" and become a leading comprehensive securities company in the industry.

(III) Development characteristics of the industry of the Group

1. Economic environment

During the Reporting Period, global economy experienced a downturn, and Chinese economy was in a stage of structural adjustment. Facing the pressure from declined external demand and the weakening of the role of investment in driving economic growth, China continued to deepen reform and expand opening up, in order to stimulate the vitality of organic economic growth and effectively support export and general consumption. Its total economic volume remained stable, and emerging industries experienced rapid growth.

2. Market environment

During the Reporting Period, as the counter-cyclical regulation policy gradually took effect and foreign capital increased investment in A shares, Chinese stock market exhibited an upward trend with fluctuations. The SHCI and the SZCI rose by 22.30% and 44.08% respectively, and total trading amount in the SSE and the SZSE increased by 40.04% year-on-year. As at the End of the Reporting Period, the balance of margin financing and securities lending was RMB1,024.181 billion, representing a year-on-year increase of 36.54%. During the Reporting Period, listed companies raised RMB1.53 trillion through IPOs, additional offering and placing, representing a year-on-year increase of 26.57%.

3. Industry situation

During the Reporting Period, the operating environment for the securities industry significantly improved, and the policy environment and market environment together enabled the operating results of the securities industry to substantially pick up while major businesses of the industry improved. According to the data in the unaudited financial statements of securities company's parent company published by the Securities Association of China (SAC), as at the End of the Reporting Period, total assets, net assets and net capital of 133 securities companies amounted to RMB7.26 trillion, RMB2.02 trillion and RMB1.62 trillion, respectively; and the operating income amounted to RMB360.483 billion and net profits of RMB123.095 billion, representing a year-on-year increase of 35.37% and 84.77%, respectively.

SECTION III COMPANY BUSINESS OVERVIEW

(IV) The position of the Group in the industry

The Group is committed to becoming a leading investment bank in Asian capital market and a securities financial institution of systematic significance. The Group performs its social responsibility by facilitating the implementation of national strategy, supporting the development of the real economy and serving the wealth management of residents, and takes the realization of corporate value, shareholders' return, employee benefits and social responsibility as its mission. Since its incorporation, the Group has maintained strong comprehensive competitiveness, with the Company remaining as a top securities company in the industry in terms of capital scale, profitability, business strength and risk management capability. According to the data in the financial statements of securities company's parent company published by the SAC, in 2019, the Company ranked tenth in the industry in terms of both operating income and net profit, and ranked eighth, eighth, and fourth in the industry in terms of total assets, net assets and net capital, respectively.

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

As of 31 December 2019, total assets of the Group amounted to RMB315.666 billion, representing an increase of 25.58% as compared to the end of last year. Items that have relatively significant changes include: monetary fund amounted to RMB70.329 billion, representing an increase of 36.79% as compared with the end of last year, which was mainly due to an increase in the capitals of customers; advances to customers amounted to RMB58.721 billion, representing an increase of 31.57% as compared with the end of last year, which was mainly due to the increase of the business scale of advances to customers; refundable deposits amounted to RMB10.735 billion, representing an increase of 103.48% as compared with the end of last year, which was mainly due to the increases in transaction deposits and performance deposits of overseas subsidiaries; receivables amounted to RMB5.117 billion, representing an increase of 695.64% as compared with the end of last year, which was mainly due to an increase in settlement receivables of overseas subsidiaries; financial assets purchased under resale agreements amounted to RMB30.438 billion, representing a decrease of 23.84% as compared with the end of last year, which was mainly due to a decrease in the scale of pledged shares repurchase; financial assets held for trading amounted to RMB74.039 billion, representing an increase of 22.71% as compared with the end of last year, which was mainly due to the increase in bonds investment held for trading; other debt investment amounted to RMB23.017 billion, representing an increase of 33.06% as compared with the end of last year, which was mainly due to the increase in bond investment; other equity instrument investment amounted to RMB19.349 billion, representing an increase of 97.90% as compared with the end of last year, which was mainly due to the increase in perpetual bonds; long-term equity investment amounted to RMB1.320 billion, representing an increase of 50.56% as compared with the end of last year, which was mainly due to the addition of joint ventures of subsidiaries; other assets amounted to RMB3.426 billion, representing an increase of 73.61% as compared with the end of last year, which was mainly due to the increases in inventory for warehouses receipts business of subsidiary and other receivables led by consolidation of additional subsidiaries.

In particular, overseas assets amounted to RMB21.501 billion, representing 6.81% of the total assets.

SECTION III COMPANY BUSINESS OVERVIEW

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

(I) Leading position in traditional brokerage business

The Company enjoys a leading market position in brokerage business. According to the unaudited data of the SAC, during the Reporting Period, the net income of the Company from the securities brokerage business ranked second in the industry in terms of individual securities companies with a market share of 4.77%, and the net income of the Company from the sale of financial products as an agency ranked third in the industry in terms of individual securities companies with a market share of 10.57%. The huge client base and client assets of the Company provide significant growth potential for its businesses, and become a powerful driver for the development and innovation of its businesses such as margin financing and securities lending, capital-based intermediary bulk trades, institutional sales and cash management.

(II) Strong channel network with reasonable strategic planning

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

(III) Large and stable client base

As at the end of 2019, the Company had 11.13 million brokerage clients, representing a year-on-year increase of 7.23%, and served over 500 corporate clients in the investment banking business. The Company ranked third in the industry in terms of aggregate market value of securities in its client accounts, which amounted to RMB2.84 trillion and represented a market share of 6.57%. The Company ranked fifth in the industry in terms of the balance of clients' deposit margin account, which amounted to RMB57.597 billion and represented a market share of 4.43%. Benefitted from its client base, the Company has significant potential for cross-selling among its business lines, which will enable the Company to quickly capture the opportunities for new business.

(IV) Unique advantages from shareholders

The de facto controller of the Company is Huijin. Huijin is authorized by the State Council to make equity investments in major state-owned financial enterprises to preserve and increase the value of state-owned assets. As an important securities finance platform under Huijin, the Company can grasp the national development policy in a timely manner and enjoy the synergy of resources.

(V) High-quality and professional staff team

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

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

I. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Overall Operation

In 2019, the Company effectively coped with changing external environment by starting with strengthening competitiveness and pursuing assets preservation and appreciation, continuing to carry out operation and management system reform led by party building and implement the business model of “Dual-wheel Drive and Coordinated Development”, and putting the business management committee in action. The Company’s wealth management transformation has started to generate results. Its credit business recorded growth while remaining steady; investment business asset allocation structure was optimized, and international business made steady progress. The Company’s reform and transformation have generated effective results. Its income structure continued to be improved, and its annual work objectives have been substantially accomplished. As at the End of the Reporting Period, the Group’s total assets amounted to RMB315.666 billion and equity attributable to owners of the Company amounted to RMB70.896 billion. During the Reporting Period, the Group recorded income and other gains of RMB23.493 billion, representing a year-on-year increase of 44.71%; net profit attributable to owners of the Company amounted to RMB5.228 billion, representing a year-on-year increase of 81.09%; and weighted average return on net assets was 7.64%, representing a year-on-year increase of 3.24 percentage points.

(II) Analysis of Major Business

1. *Brokerage, sales and trading business*

(1) *Securities brokerage*

During the Reporting Period, the Group’s securities brokerage business recorded income and other gains of RMB12.345 billion, representing a year-on-year increase of 14.99%, which was mainly due to the fact that securities trading commission income achieved year-on-year increase as the Company seized market opportunities, innovated the business model of wealth management and promoted wealth management transformation resulting from the stock market index fluctuating upward and the trading volume of shares and funds rebounded.

Market environment

In 2019, the commission rate in China continued its downward trend. Traditional brokerage business still faced pressure, and wealth management transformation was imminent. In 2019, the total trading volume of shares and funds amounted to RMB126.57 trillion, and the average daily trading volume of shares and funds amounted to RMB0.52 trillion, representing an increase of 39.53% as compared with 2018. The risk appetite of the capital market of 2019 increased the balance of margin financing and securities lending by 36.54% as compared with 2018. However, under the combined impact of the new rules for share pledges and the prudent commencement of share pledge business by securities companies, the scale of share pledge business for securities companies further reduced. As at the End of the Reporting Period, the financing scale of securities companies’ own funds was RMB431.146 billion, representing a decrease of 30.23% as compared to the end of last year.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Operation initiatives and results

For securities brokerage business, the Company captured market opportunities and the opportunities brought by business transformation, and the market standing of its traditional brokerage business improved while remaining steady. In addition, the Company effectively facilitated wealth management transformation, and further optimized client structure and trading structure. As at the End of the Reporting Period, the Company had 23,000 institution and product accounts with an asset size of RMB2.51 trillion, representing an increase of 14.38% as compared with the end of 2018. The asset size accounted for 73% of total size of client assets. During the Reporting Period, the trading volume of shares and funds in the institution and product accounts of the Company amounted to RMB868.4 billion (excluding trading monetary funds), representing an increase of 21.26% as compared with 2018. The Company strived to promote the supply side reform of financial products, and introduced high-quality products to diversify its product offering. As at the End of the Reporting Period, the Company had financial products for agency sales of RMB112.5 billion, representing an increase of 14% as compared with 2018. The Company has launched the “Wealth Star – Service Commission” program and entered into agreements with a total of 22,200 clients. It took the lead in the industry in launching wealth account services to provide customer-centered asset allocation services with the characteristics of the securities industry.

For credit business, the Company adhered to the development principle of “stabilizing scale, adjusting structure, controlling risks and guaranteeing profits” by facilitating its margin financing and securities lending business to become a platform attracting trading-driven high-net-worth clients and professional investors and driving its stock pledge business to continuously improve the ability to achieve collaborative development among business segments. In particular, for the margin financing and securities lending business, the Company adhered to the customer-centered principle and strengthened the application of financial technologies, optimized the customer service system; continuously optimized its customer structure and business structure, focused on developing professional investors and institutional customers, vigorously developed the securities lending business; strictly controlled the concentration of securities lending, and improved its risk management ability to properly mitigate risks. For stock pledge business, the Company focused on quality customers, raised project access standard and continuously optimized the project structure. It further carried out business risk management from the aspects of system process, internal control mechanism and system building, and further improved business risk management. As at the End of the Reporting Period, the balance of the margin financing and securities lending of the Company amounted to RMB52.6 billion, representing an increase of 30.85% as compared with the end of 2018, and the balance of the stock pledge business of the Company amounted to RMB27.9 billion, representing a decrease of 25.40% as compared with the end of 2018.

For research and institutional sales and trading business, the Company’s academy accelerated the transformation into a think tank, continued to improve research quality and level, promoted the application of products, and strengthened the support for wealth management, investment and financing and international business. It strengthened the research and interpretation of macro situations and hot issues to provide support for the decision-making of industry regulators and the development of the Company, reinforced the coordination of research business, improved the ability to serve investors, and expanded the market and social influence of research. During the Reporting Period, the Company has provided 1,400 research services to internal units and higher-level units and provided over 3,700 research services to external institutional clients.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Challenges and prospects for 2020

The trend of vigorous development of dual-wheel drive of institution and wealth management in the securities industry has become more obvious, but the commission rate's downward trend put pressure on the long-term and continuous decrease in profitability of domestic securities brokerage business despite the fact that there's no "zero commission pressure" under regulatory requirements. The outbreak of novel coronavirus pneumonia epidemic and the large fluctuations in international capital markets have brought more challenges to the credit business risk management in the securities industry. The overall risk of share pledge business is under control, but with the extensive development in early stages, coupled with the downward pressure of the macro-economy, new regulations on holdings reduction and limited means for brokers, rational operation is still essential. The development of securities lending is expected to be an important breakthrough in the capital intermediary business. Subject to the industry regulatory requirements, the securities brokerage business of the Company will seek breakthroughs in innovative service capabilities and information technology support, optimize business system establishment, from the top-level professional output of major asset allocations to the standardized provision of hierarchical investment and advisory services, the training and establishment of professional talent teams, and supporting performance incentive systems.

(2) *Futures brokerage*

Market environment

In 2019, the environment and development conditions of the futures industry had undergone profound and complex changes. The types of futures options quickly expanded, and the number of new products launched set a new record. The trading volume and customer equity in the futures market recorded year-on-year increases, while the net profit of the futures industry decreased on a year-on-year basis.

Operation initiatives and results

Under the environment of intensified homogeneous competition for futures brokerage business and rapid growth of overseas futures business, Galaxy Futures actively optimized its strategic presence and continued to facilitate the transformation and development of futures business, and was rated at level AA, Class A in the classification and appraisal of futures companies by the CSRC in 2019. During the Reporting Period, Galaxy Futures recorded income and other gains of RMB3.528 billion, representing an increase of 127.36% as compared with 2018. Daily average customer equity was RMB17,076 million, representing an increase of 8.97% as compared with 2018. Total trading amount was RMB6.95 trillion (one-side), representing an increase of 63.78% as compared with 2018. Galaxy Futures had total assets under management of RMB3,242 million under 35 products of its asset management business. As at the End of the Reporting Period, Galaxy Futures had a total of 8 branch offices and 39 securities branches.

Challenges and prospects for 2020

The year 2020 will be a year of further opening up for the futures market. The internationalization process and supply speed of mature products will be accelerated, and the derivative instrument system will be further improved. Galaxy Futures will continue to improve its professional services provided to industrial customers, consolidate the market share of its brokerage business, increase the percentage of revenue contribution of its subsidiaries, strengthen futures asset management business in terms of coverage and depth, facilitate the coordinated development of options on and off the market, and improve the quality and efficiency of synergies between securities and futures business.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(3) *Asset management*

During the Reporting Period, the Group's asset management business recorded income and other gains of RMB687 million, representing a decrease of 22.37% as compared with 2018, mainly due to the fact that most of the deposit businesses are not allowed to obtain new customers and increase scale before the completion of standard transformation as a result of the introduction of new regulations on capital management and its supporting policies. The scale of market asset management business was RMB12.29 trillion, representing a decrease of 12.9% year on year.

Market environment

Since 2019, under the guidance of the central government's strategy to comprehensively deepen reform, new regulations on asset management and affiliated rules were gradually implemented, and the asset management industry entered a new stage of regulated development and transformation. Within the new regulatory framework, financial institutions returned to the original asset management business, strengthened investment management capability, facilitated the restructuring of product model, optimized business development planning. The percentage of active asset management size of securities companies gradually increased.

Operation initiatives and results

Galaxy Jinhui adapted to the development and changes of capital market and actively facilitated business transformation with improving self-management capability at the core. On the basis of strengthening compliance management and risk prevention, Galaxy Jinhui continued to improve the development of its investment research system, vigorously developed the investment management of advantageous products such as fixed income + multi-strategy products, and established a vertical product system with multiple terms, various types of assets and multiple levels of risks. In response to the changes in customer needs, Galaxy Jinhui accelerated the expansion of product offering, improved the quality of refined services, actively facilitated the product net worth and large collective product public transformation process, strived to meet the needs of residents for wealth management, and actively carried out overseas asset allocation starting with QDII business. Its overseas investment management has been significantly improved. During the Reporting Period, net income from the custodian client asset management business of Galaxy Jinhui amounted to RMB631 million. As at the End of the Reporting Period, the assets under management of Galaxy Jinhui amounted to RMB213.325 billion, of which the size of collective asset management business amounted to RMB55.183 billion; the size of single asset management business amounted to RMB153.278 billion; the size of special asset management business amounted to RMB4.864 billion. As at the end of the year, it had 291 products under management (including 101 collective products, 183 targeted products and 7 special products).

Challenges and prospects for 2020

Currently the asset management industry is at a new stage of transformation and development. As a growing number of bank wealth management subsidiaries entered the market, the asset management business of securities companies faced strong challenges and pressure as well as significant opportunities for development. Strengthening self-management, facilitating product transformation and upgrading and building differentiated competitive strengths will become a long-term strategy of choice for the Company. In 2020, by centering around the strategic transformation of wealth management business, Galaxy Jinhui will strengthen its customer-centered asset management services, actively conduct product supply side reform and the regulated upgrading of existing products, consolidate investment research and risk management mechanism, and facilitate the transformation and development towards active management business model.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

2. Investment banking business

During the Reporting Period, the Group's investment banking business recorded income and other gains of RMB428 million, representing a decrease of 14.04% as compared with 2018. The Company improved talent hierarchy establishment, increased project reserves and enhanced professional competence and brand influence through in-depth restructuring of the investment banking business system and mechanism.

(1) *Equity financing and financial advisory*

Market environment

In 2019, with the continuous introduction of favorable reform policies and the steady operation of the registration system of the Science and Technology Innovation Board, the equity financing size of the PRC capital market increased. According to the data of WIND Information, the proceeds from equity financing on the SSE and the SZSE in 2019 amounted to RMB1,532.375 billion, representing an increase of 26.57% as compared with 2018, of which the proceeds from IPOs amounted to RMB253.2 billion, representing an increase of 83.76% as compared with 2018, and the size of equity re-financing amounted to RMB1,279.127 billion, representing an increase of 19.22% as compared with 2018.

Operation initiatives and results

In 2019, the Company's investment banking business continued to adhere to the principle of serving key national strategies, serving real economy and serving the transformation and development of the Company, strived to build "six major service chains", namely investment banking business service chain, all-customer service chain, investment and financing synergy service chain of small-and medium-sized enterprises, regional comprehensive service chain, supply-side structural reform service chain and scientific and technological innovation and industrial development service chain, and actively promoted "four integrations", namely investment and financing integration, customer comprehensive service solution integration, regional comprehensive service solution integration, as well as the integration of domestic and overseas investment and financing business. During the Reporting Period, the Company completed one IPO project and seven re-financing projects (including convertible bonds re-financing). During the Reporting Period, the amount of securities underwritten by the Company as a lead underwriter was RMB9,037 million, representing an increase of 66.27% as compared with 2018. As at the End of the Reporting Period, the Company had 8 IPO projects under review, 6 re-financing projects under review and 3 mergers and acquisitions and reorganization projects under review.

Challenges and prospects for 2020

With the gradual implementation of policies and measures supporting the key tasks for comprehensively deepening capital market reform, the continuous improvement in the marketization degree of the capital market and the concurrent reform of existing and new business, the investment banking business will compete in two areas including strengths and models. The Company will focus on key national strategic regions, core cities, high-tech zones and economic development zones, improve the integrated financial services for China Investment Ecosystem synergy, mixed ownership reform for state-owned enterprises and high-quality private enterprises, while actively capturing the opportunities for the registration system reform, re-financing reform, merger and acquisitions and reorganization and industrial consolidation and regional market development.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(2) Bond financing

Market environment

In 2019, there were frequent switches of factors influencing the PRC interest rate bond market, which maintained a volatile situation throughout the year. The credit bond market outperformed the interest rate bond market. In particular, the rate of return of high-rating credit bonds showed a downward trend throughout the year. As a result of the decrease in the rate of return of credit bonds, the cost advantage of bond financing over loans in the PRC was further revealed, and there was a significant increase in the number and size of credit bonds issued in the PRC market. In addition, events of default still occurred frequently in the bond market, making the credit levels of the bond market become more obvious. Credit bond issuers were apparently concentrated on high-rating state-owned enterprises, and market risk appetite further weakened.

Operation initiatives and results

Under the background of changing industry competition landscape, the Company actively responded to China's strategy of regional coordinated development by giving a priority to making deployment in key areas while carrying out extensive business coordination, deeply exploring market opportunities and actively developing bonds business. During the Reporting Period, the Company underwrote a total of 570 bonds, and its total underwriting amount was RMB71.91 billion. The Company continued to strengthen innovation on bond products. It underwrote 3 green bonds and the first green medium note for green financial reform zone in the PRC in 2019. The Company actively implemented China's "Belt and Road Initiative" strategy, advocated and promoted the development of green finance, supported private enterprises in various ways in obtaining financing, and received the "Outstanding Fixed Income Business Innovation Institution Award for 2019" issued by the SZSE.

Challenges and prospects for 2020

In 2020, under the impact of novel coronavirus pneumonia epidemic, China's macro-economy will face strong downward pressure and need to "stabilize leverage" and "stabilize growth" simultaneously. The bonds market faces great opportunities for development, and the revised Securities Law further optimized the environment for the issue of corporate bonds. The Company will continue to strengthen its efforts on bond underwriting and further explore business opportunities for financial institutions, platform companies, state-owned enterprises and high-quality private enterprises on the basis of enhancing business coordination. It will also actively develop innovative business, facilitate innovation and entrepreneurship, poverty alleviation and green bond business development, accelerate the promotion of the coordination between stocks and bonds, and provide better services to strategic customers of the Company.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(3) New OTC Board

Market environment

As a result of various factors including market size, market structure and investor access limit, total financing amount in the New OTC Board market decreased, and trading in the market was not active enough. The number of companies applying for listing continued to decrease, and more and more companies voluntarily had their listing cancelled. According to the data of WIND Information, as at the End of the Reporting Period, the number of listed companies on the New OTC Board was 8,953, representing a decrease of 16.26% as compared with the end of 2018, and the number of companies traded through market making was 692, representing a decrease of 36.16% as compared with the end of 2018. The Market Making Index closed at 914.75 points, representing an increase of 27.23% as compared with 2018.

Operation initiatives and results

During the Reporting Period, the Company attached great importance to the business quality control and business risk prevention in the New OTC Board, and comprehensively optimized its business structure. On one hand, the Company strengthened its coverage of high-quality enterprises and focused on the cultivation of enterprises with opportunities for IPO and merger and acquisition projects. On the other hand, the Company fully implemented the requirements of “poverty alleviation through financial services, targeted poverty alleviation and industrial poverty alleviation” by combining recommended listing with poverty alleviation projects. During the Reporting Period, the Company completed one project for recommended listing on the New OTC Board and five projects for issue of shares on the New OTC Board, raising RMB80,102,400.

Challenges and prospects for 2020

With the implementation of the reform proposal and the launch of selected layer for the New OTC Board, the New OTC Board will embrace comprehensive and thorough changes. In 2020, the Company will optimize its business presence in the New OTC Board and identify high-quality enterprises in the New OTC Board for inclusion in the selected layer. It will continue to strengthen internal business coordination and improve its ability to serve the whole value chain in relation to the integration of investment and financing, regulated operation and strategic planning in order to provide continuous and comprehensive financial services to clients.

3. Investment management business

(1) Proprietary trading and other securities trading services

During the Reporting Period, the Group’s proprietary trading and other securities trading services recorded income and other gains of RMB6.654 billion, representing an increase of 174.32% as compared to 2018, mainly due to the continuous promotion of systematic reform of the system, mechanism and business of proprietary trading and other securities trading services to enhance diversified investment, enrich investment types, reduce risk exposure, and stabilize income levels.

Market environment

In 2019, the Shanghai Composite Index rose to 3,050.12 points from 2,493.90 points, representing an increase of 22.30%, and the SZCI rose to 10,430.77 points from 7,239.79 points, representing an increase of 44.08%. The China Bond Aggregate Total Return Index rose to 192.09 points from 184.07 points, representing an increase of 4.36%.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Operation initiatives and results

① Equity investment

During the Reporting Period, the Company timely optimized its proprietary trading asset allocation in response to changing market situations. Its proprietary equity investment gradually transformed to an investment model of multiple strategies. Through strict control of risks at overall/strategic/individual stock levels, the Company introduced a number of new investment strategies to improve the contribution to results.

② Bond investment

During the Reporting Period, the Company's fixed income business size steadily increased. In particular, the size of quantitative investments under fixed income business recorded rapid growth, and the percentage of low-risk interest rate bonds and interest rate derivatives positions increased. The trading amount of interest rate derivatives reached RMB1 trillion, representing an increase of 8 times as compared with 2018. The Company's dealer-quoted bond repurchase business (the product of "Daily Profits" (天天利)) continued to maintain a leading position in the industry, with business size and number of clients steadily ranking No.1 in the market. It had an outstanding balance of RMB10.64 billion and 538,500 investors. The Company was among the first few to receive the qualification for market maker for national debts and futures business in the China Financial Futures Exchange.

③ Derivatives investment

During the Reporting Period, the Company continued to develop proprietary derivative investment business, served institutional clients with block trading and OTC derivative business, and met clients' cross-border needs with cross-border income exchange business. In addition, the Company provided on-the-market dealer-quoted bond repurchase products and floating income linked income certificate products to institutional and retail clients to meet their demand for wealth management and asset allocation.

④ New OTC Board Market making business

The Company continued to carry out market making business for the National Equities Exchange and Quotations, performed its quoting duties as a market-maker, continued to facilitate the supply of liquidity and improvement in quotation quality. In the context of comprehensively deepening the reform of share conversions, the Company actively participates in seizing business opportunities brought by stratification, continues to make preparations for the cross-border conversion and market-making business of Chinese depositary receipts in Shanghai-London Stock Connect, and explores and promotes the market-making business in other markets.

Challenges and prospects for 2020

In 2020, the Company's proprietary investment business operation will focus on coping with market volatility, carry out good process management, and capture structured and staged opportunities while maintaining stability. In particular, the proprietary equity investment business needs to adopt multiple strategies and carry out various quantitative investment strategies and cross-market stock hedging investment. The proprietary fixed income investment business will continue to implement the "fixed income +" strategy, modestly expand the bond size in due course, and increase the size of medium-and low-risk quantitative hedging strategy. For the proprietary derivative investment business, the Company will strive to maintain its traditional advantages in listed fund market-making business, expand the scope of market-making to on-the-market options, actively expand sales and trading business, and provide comprehensive solutions to clients. For the market-making business, the Company will actively participate in the business opportunities arising from the comprehensive in-depth reform of the National Equities Exchange and Quotations and improve the income and quality of its market-making business.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(2) Private equity investment

Market environment

For the overall equity investment market, the most prominent problem in 2019 was the difficulty in raising funds. In addition, in view of the macro-economic and financial environment and increasingly strict industry regulation, the difficulty in raising funds will last for a long time in the future. For the investment of equity investment funds, currently there is an obvious trend that market capital tends to flow into high-quality top-class projects, mainly unicorn projects, which imposed stricter requirements for the professional competence and human capital of equity investment institutions on one hand. On the other hand, the competition between institutions became more intense. The bargaining power of equity investment institutions declined, and it became more difficult to control risks. For the exit from equity investment funds, the A share market experienced fluctuations in valuation as a result of factors including the trade disputes between China and the United States, and the environment for exit was affected, resulting in longer exit cycle and reduced investment income. However, with the launch of the Science and Technology Innovation Board, the channels for exit from enterprises with technological innovations has been significantly expanded.

Operation initiatives and results

In 2019, Galaxy Capital actively promoted private equity fund business, successfully established Shandong Yunhai Big Data New Dynamic Fund Partnership (limited partnership) with Langchao Group Co., Ltd.. The fund has a size of RMB5 billion and has completed filing and commenced investment operation. Galaxy Capital also continued to strengthen post-investment project management and risk treatment. During the Reporting Period, Galaxy Capital recorded an operating income of RMB83 million and turned loss into profit.

Challenges and prospects for 2020

Galaxy Capital mainly faced challenges in raising capital and improving professional competence. In 2020, while continuing to implement comprehensive risk compliance management, it will vigorously promote the establishment of private equity funds, continue to strengthen project development and reserve, and be committed to professional investment and long-term value management. It will make use of its comprehensive service advantages as a securities company to establish a more effective fund-raising system, make full use of investment and empowering functions, compete against top players in the industry, and continue to improve expertise and competitiveness in order to achieve high-quality development.

(3) Alternative asset investment

Market environment

With the issue of the "Management Rules for Alternative Investment Subsidiaries of Securities Companies" (《證券公司另類投資子公司管理規範》) and the relevant rules for the Science and Technology Innovation Board, the business models and directions of alternative investment subsidiaries of securities companies tend to gradually become similar, and many alternative investment subsidiaries of securities companies increased capital to expand equity investment business. With their advantages in the size of capital, alternative investment subsidiaries of top securities companies gradually became mainstream equity investment institutions in the market.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Operation initiatives and results

During the Reporting Period, Galaxy Yuanhui focused on investing in high-tech industrial enterprises and strengthened equity investment efforts. 12 of its equity investment projects were newly approved. As at the End of the Reporting Period, Galaxy Yuanhui had more than 30 ongoing equity investment projects with a total investment amount of over RMB1 billion. The equity investments involve industries such as advanced manufacturing, medical devices, consumption upgrade, energy saving and environment protection and other key real economy areas enjoying state support. As a result of favorable factors including the successful listing of investees and the recovery of the capital market, during the Reporting Period, Galaxy Yuanhui recorded an operating income of RMB173 million, representing an increase of 140.28% as compared with 2018.

Challenges and prospects for 2020

With the gradual advancement of the registration system, the vitality of the capital market will be stimulated, and equity investments will usher in a period of opportunities brought by favorable policies. In addition, stimulated by the co-investment system of the Science and Technology Innovation Board, the integration of investment and financing has gradually become an important mode for alternative investment subsidiaries of securities companies to conduct equity investment business, and the alternative investment business of top securities companies will achieve greater development. In 2020, Galaxy Yuanhui will strengthen the business coordination and resource sharing with its parent company for equity investments, enhance the penetration management system, and facilitate the continuous healthy development of alternative investment business.

4. Overseas business

Market environment

During the Reporting Period, the Hong Kong securities market exhibited obvious periodic fluctuations. The Hang Seng Index showed an upward trend in the first four months in 2019 due to favorable market factors. As a result of the trade frictions between China and the United States since mid-to-late April 2019 and local social turmoil in Hong Kong since June 2019, the Hang Seng Index dropped by 12.1% from May to September 2019, and then rebounded to close at 28,189.75 points as at the end of 2019, representing an increase of 9.1% as compared with the end of 2018. As at the end of 2019, total value of the Hong Kong securities market was HK\$38.36 trillion, representing a year-on-year increase of 27.6%. Under the background of trade frictions between China and the United States and continuous social turmoil in Hong Kong since the second half of 2019, however, total trading amount of the Hong Kong securities market in 2019 was HK\$21.44 trillion, representing a year-on-year decrease of 18.86%. The total funds raised in the Hong Kong securities market in 2019 amounted to HK\$451.982 billion, representing a year-on-year decrease of 16.94%.

Operation initiatives and results

During the Reporting Period, the commission and interest income from brokerage business of Galaxy International Holdings decreased due to the Hong Kong securities market. Galaxy International Holdings adopted various measures to diversify its sources of income to strengthen its ability to withstand market cycles. While consolidating its three traditional revenue-generating businesses, being brokerage business, financing business and investment banking business, it vigorously consolidated proprietary securities trading, and developed and advanced fixed income business. All business maintained steady operation. Galaxy International Holdings has consolidated the financial statements of CGS-CIMB Securities International Pte. Ltd. ("CGS-CIMB Securities") since 1 April 2019. During the Reporting Period, Galaxy International Holdings recorded consolidated income and other gains of RMB1.609 billion, representing a year-on-year increase of 208.90%.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

During the Reporting Period, in line with China's "Belt and Road Initiative" development strategy and the Group's overseas business development plan, Galaxy International Holdings actively expanded its business in the ASEAN region. On 28 June 2019, Galaxy International Holdings formally closed the acquisition of 50% equity interest in the Malaysian securities business ("CGS-CIMB Holdings") of CIMB Group Sdn. Bhd. ("CIMB Group"). Upon closing of the 50% equity interest in CGS-CIMB Holdings, the Group's overseas business presence was further enhanced, with its overseas business network covering eight countries and one region, including Singapore, Malaysia, Thailand, Indonesia, India, South Korea, the United States, the United Kingdom and Hong Kong. During the Reporting Period, CGS-CIMB Securities' business network further covered Mauritius, enabling the Group's business network to cover nine countries and one region.

Challenges and prospects for 2020

In 2020, under the background of slowed global economic growth, trade barrier and ongoing geopolitical factors, together with the outbreak of the novel coronavirus pneumonia at the beginning of the year, Hong Kong capital market will face greater pressure on investment and economic growth. In the meantime, with the introduction of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and the deepening of China's "Belt and Road Initiative", Chinese securities companies accelerated the expansion of business presence in Hong Kong, which further intensified the competition. In 2020, while continuing to consolidate its brokerage business, financing business and investment banking business, Galaxy International Holdings will make dynamic adjustments to its business and income model, continue to enhance its business diversification, and strengthen risk management and control, internal control system and system building, so as to ensure its long-term sustainable development.

II. ANALYSIS OF MAJOR OPERATION DURING THE REPORTING PERIOD

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

In 2019, the Company effectively coped with changing external environment by starting with strengthening competitiveness and pursuing assets preservation and appreciation, continuing to carry out operation and management system reform led by party building and implement the business model of "Dual-wheel Drive and Coordinated Development". The Company's wealth management transformation has started to generate results. Its credit business recorded growth while remaining steady; investment business asset allocation structure was optimized, and international business made steady progress. The Company's reform and transformation have generated effective results. Its income structure continued to be improved.

As at the End of the Reporting Period, the Group's total assets amounted to RMB315.666 billion and equity attributable to owners of the Company amounted to RMB70.896 billion. In 2019, the Group realized revenue and other income of RMB23.493 billion, representing an increase of 44.71% as compared with 2018; the realized net profits attributable to shareholders of the Company of RMB5.228 billion, representing an increase of 81.09% as compared with 2018; the Group realized earnings per share of RMB0.52, representing an increase of 85.71% as compared with 2018, and the weighted average return on net assets amounted to 7.64%, representing an increase of 3.24 percentage points as compared with 2018.

(ii) Asset structure and quality

As at the end of 2019, total assets of the Group amounted to RMB315.666 billion, representing an increase of 25.58% from RMB251.363 billion as at the end of 2018; total liabilities amounted to RMB243.744 billion, representing an increase of 31.74% from RMB185.025 billion as at the end of 2018; equity attributable to shareholders of the Company amounted to RMB70.896 billion, representing an increase of 7.45% from RMB65.982 billion as at the end of 2018.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Asset structure remained stable while asset quality and liquidity remained satisfactory. In 2019, compositions of the Group's total assets were: cash assets of RMB92.341 billion, mainly including bank balances, clearing settlement funds and transaction deposits, accounting for 29.25%; financing assets of RMB89.159 billion, mainly including advances to financing customers and financial assets held under resale agreements, accounting for 28.25%; financial investment assets of RMB122.966 billion, mainly including financial assets measured at fair value through profit or loss, debt instruments measured at fair value through other comprehensive income, equity instruments measured at fair value through other comprehensive income, debt investments measured at amortized cost and derivative financial assets, etc. accounting for 38.95%; and operational assets such as other properties and equipment of RMB11.200 billion, mainly including fixed assets, projects under construction, intangible assets and interest receivable, accounting for 3.55%. During the Reporting Period, the Group has made corresponding impairment provision for assets with signs of impairment, and assets quality is relatively high.

The gearing level and operating leverage slightly increased from the beginning of the year. As at the end of 2019, the gearing ratio of the Group was 69.42%, representing an increase of 3.50 percentage points as compared with 65.92% as at the end of 2018. (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)); operating leverage ratio was 3.32 times, representing an increase of 12.54% as compared with 2.95 times as at the beginning of 2019. (Note: operating leverage ratio = (total assets – account payable to brokerage clients)/equity attributable to owners of the Company).

(iii) Financing channels and capability

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

As at the End of the Reporting Period, line of credit granted to the Company amounted to approximately RMB414.149 billion; the cap of borrowing for national inter-bank lending business approved by the People's Bank of China amounted to RMB20 billion; cap for dealer-quoted bond repurchase transactions in interbank bond market amounted to RMB30 billion.

(iv) Cash flow

Excluding the change in margin deposit of clients, cash and cash equivalents increased by RMB1.854 billion from the end of last year due to the fact that the cash inflow from the Group's operating activities in the year was more than the cash outflow by financing activities and investing activities.

Net cash flow from operating activities increased by RMB14.978 billion to RMB25.780 billion in 2019 from RMB10.802 billion for the same period of 2018; net cash flow from investing activities decreased by RMB14.618 billion to RMB-12.773 billion in 2019 from RMB1.845 billion for the same period of 2018; net cash flow from financing activities increased by RMB1.956 billion to RMB-11.188 billion in 2019 from RMB-13.144 billion for the same period of 2018; net increase in cash and cash equivalents increased by RMB2.315 billion to RMB1.818 billion in 2019 from RMB-0.497 billion for the same period of 2018.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(v) Operating income and profit analysis

1. Items of income statement

Summary Results of Operations

In 2019, the Group realized profit before income tax of RMB6.830 billion, representing an increase of 85.50% as compared with 2018. Main financial details are listed as follows:

Unit: RMB in million

Item	2019	2018	Change	Year-on-year growth rate
Revenue				
Commission and fee income	6,172.0	5,050.8	1,121.2	22.20%
Interest income	9,527.4	9,480.6	46.8	0.49%
Net investment gains	4,896.7	945.8	3,950.9	417.73%
Total revenue	20,596.1	15,477.1	5,119.0	33.07%
Other income and gains	2,897.4	757.8	2,139.6	282.32%
Total other income and gains	23,493.5	16,235.0	7,258.5	44.71%
Total expenses	-16,674.2	-12,550.3	-4,124.0	32.86%
Share of result of a joint venture	10.9	-2.6	13.5	522.43%
Profit before income tax	6,830.1	3,682.1	3,148.0	85.50%
Income tax expense	-1,580.0	-750.4	-829.6	110.56%
Profit for the year	5,250.1	2,931.7	2,318.4	79.08%
Net profit attributable to owners of the Company	5,228.4	2,887.1	2,341.3	81.09%

Revenue breakdown

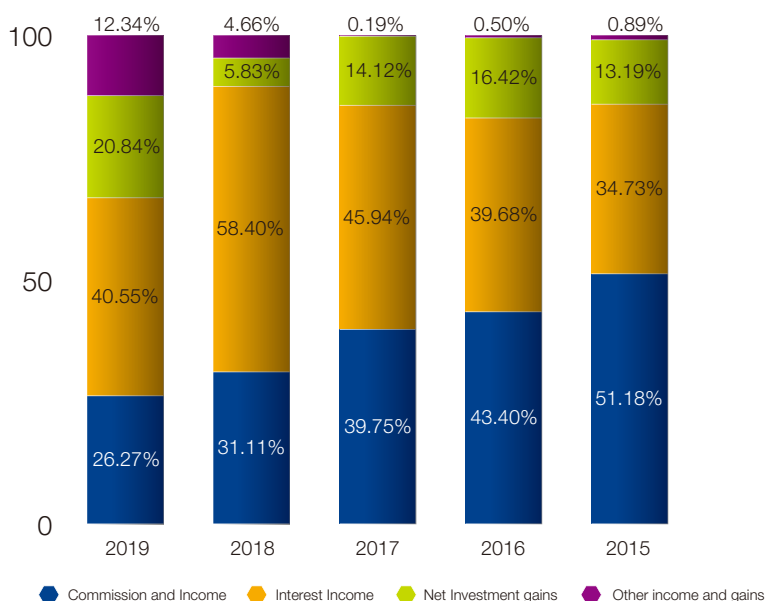
In 2019, the Group's total revenue and other income increased by 44.71% to RMB23.493 billion as compared with 2018. Among them, commission and fee income accounted for 26.27%, representing a decrease of 4.84 percentage points as compared with 2018; interest income took up 40.55%, representing a decrease of 17.85 percentage points as compared with 2018; net investment gains accounted for 20.84%, representing an increase of 15.01 percentage points as compared with 2018. Breakdown of the Group's revenue and other income for the recent five years is listed as follows:

Item	2019	2018	2017	2016	2015
Commission and fee income	26.27%	31.11%	39.75%	43.40%	51.18%
Interest income	40.55%	58.40%	45.94%	39.68%	34.73%
Net investment gains	20.84%	5.83%	14.12%	16.42%	13.19%
Other income and gains	12.34%	4.67%	0.19%	0.50%	0.89%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

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

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



From the perspective of change in revenue breakdown, the ratio of revenue from the Company's light-capital business which mainly generates commissions and fee income has been decreasing gradually year-on-year while the ratio of revenue from the Company's heavy-capital business which mainly generates interest income and net investment gains was rather stable. The ratio of other income has been increasing gradually year-on-year. This reflects the fact that the Company's transformation in development has becoming successful and the Company's revenue breakdown is gradually balancing out.

Commission and fee income

Breakdown of the Group's commission and fee income in 2019 is listed as follows:

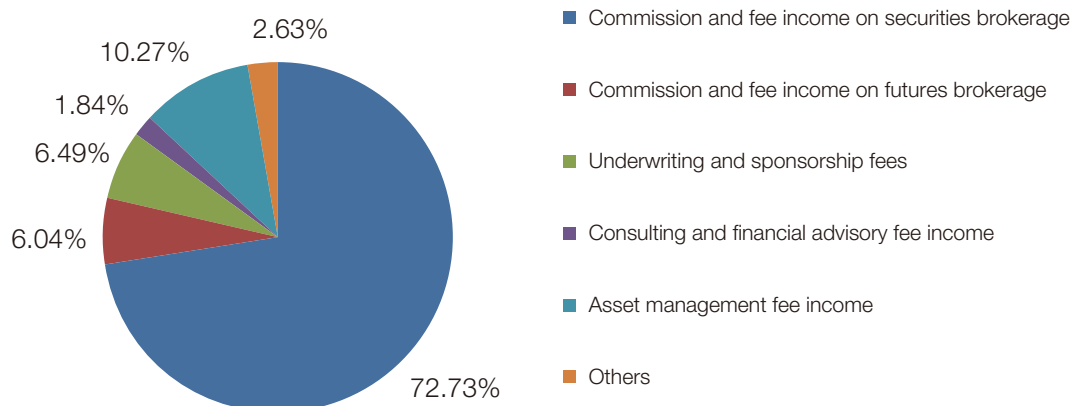
Unit: RMB in million

Item	2019	2018	Change	Year-on-year growth rate
Commission and fee income				
Commission and fee income on securities brokerage	4,489.0	3,342.0	1,147.0	34.32%
Commission and fee income on futures brokerage	373.1	315.5	57.6	18.26%
Underwriting and sponsorship fees	400.4	460.5	-60.1	-13.05%
Consulting and financial advisory fee income	113.3	95.6	17.8	18.60%
Asset management fee income	633.8	746.7	-112.9	-15.12%
Others	162.4	90.6	71.9	79.34%
Total commission and fee income	6,172.0	5,050.8	1,121.2	22.20%
Commission and fee income expense	398.7	245.4	153.3	62.49%
Net commission and fee income	5,773.3	4,805.4	967.9	20.14%

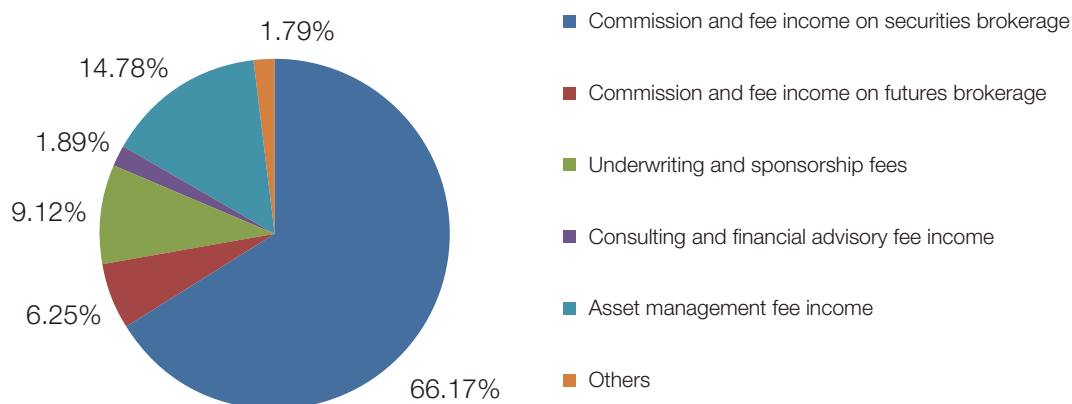
SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Set out below is the breakdown of the Group's commission and fee income in 2019 and 2018:

Breakdown of commission and fee income in 2019



Breakdown of commission and fee income in 2018



In 2019, the Group's net commission and fee income amounted to RMB5.773 billion, representing an increase of 20.14% as compared with 2018, which was mainly due to an increase in the commission and fee income on securities brokerage.

Commission and fee income on securities brokerage increased by RMB1.147 billion or 34.32% as compared with 2018, which was mainly because of the stock market index fluctuating upward and the trading volume of shares and funds rebounded.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Interest income

In 2019, the Group realized net interest income of RMB3.492 billion, representing an increase of 1.37% as compared with 2018. Breakdown of the Group's net interest income in 2019 is listed as follows:

Unit: RMB in million

Item	2019	2018	Change	Year-on-year growth rate
Interest income				
Deposits and bank balances with exchanges and non-bank financial institutions	2,242.8	1,881.3	361.6	19.22%
Advances to financing customers and securities lending	3,779.6	4,002.0	-222.4	-5.56%
Financial assets held under resale agreements	2,303.5	2,420.1	-116.6	-4.82%
Debt instruments measured at fair value through other comprehensive income	985.6	839.6	146.0	17.39%
Debt instruments measured at amortized cost	194.3	337.6	-143.3	-42.44%
Others	21.6	0.0	21.6	N/A
Total interest income	9,527.4	9,480.6	46.8	0.49%
Interest expenses	6,035.7	6,035.9	-0.2	0.00%
Net interest income	3,491.7	3,444.7	47.0	1.37%

Interest income from deposits and bank balances with exchanges and non-bank financial institutions increased by RMB362 million or 19.22% as compared with 2018, which was primarily due to the increase in the size of client margin deposits.

Interest income from advances to financing customers and securities lending decreased by RMB222 million or 5.56% as compared with 2018, which was primarily due to the decrease in the interest rate of margin financing and securities lending business.

Interest income of financial assets held under resale agreements saw a year-on-year decrease of RMB117 million or 4.82%, which was mainly due to the year-on-year decrease of scale of dealer-quoted securities repurchase.

Interest income of debt instruments measured at fair value through other comprehensive income increased by RMB146 million or 17.39% as compared with 2018, which was primarily due to the increase in the size of such debt instruments.

Interest income of debt instruments measured at amortized cost decreased by RMB143 million or 42.44% as compared with 2018, which was primarily due to the maturity of such debt investment.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Net investment gains

In 2019, the Group realized net investment gains of RMB4.897 billion, representing an increase of 417.73% as compared with 2018. Breakdown of the Group's net investment gains in 2019 is listed as follows:

Unit: RMB in million

Item	2019	2018	Change	Year-on-year growth rate
Investment income/(loss) from the following items				
Debt instruments measured at amortized cost	65.8	0.0	65.8	N/A
Financial assets measured at fair value through profit or loss	5,828.3	-826.5	6,654.8	805.17%
Derivatives	-1,419.9	1,012.4	-2,432.3	-240.24%
Debt instruments measured at fair value through other comprehensive income	104.3	22.3	81.9	367.30%
Equity instruments designated as at fair value through other comprehensive income	620.2	711.4	-91.2	-12.82%
Others	-301.9	26.2	-328.1	-1,253.44%
Total	4,896.7	945.8	3,950.9	417.73%

The investment income from financial assets measured at fair value through profit or loss increased by RMB6.655 billion or 805.17% as compared with 2018, which was primarily due to the fast growth in assets scale under improved market environment.

The investment income from derivatives is mainly derived from stock index futures investment income, and the Company's derivatives were mainly used to hedge the risk in spot products. The decrease of RMB2.432 billion for the period was mainly due to the positive market performance in 2019 which resulted in a decrease in hedging revenue.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Other income and gains

In 2019, the Group realized other income and gains of RMB2.897 billion, representing an increase of 282.34% as compared with 2018. Breakdown of the Group's other income and gains in 2019 is listed as follows:

Unit: RMB in million

Item	2019	2018	Change	Year-on-year growth rate
Other income and gains				
Income from bulk commodity trading	2,721.5	695.9	2,025.6	291.08%
Others	175.9	61.9	114.0	184.17%
Total	2,897.4	757.8	2,139.6	282.34%

Income from bulk commodity trading increased by RMB2.026 billion or 291.08% as compared with 2018, which was mainly due to the increase of revenue from warehouses receipts business of Galaxy Derivatives Capital Management Company Limited (銀河德睿資本管理有限公司), a subsidiary of Galaxy Futures.

Operating expenses

In 2019, the Group's operating expenses (aside from fee and commission expenses and interest expenses) amounted to RMB10.240 billion, representing an increase of 63.34% as compared with 2018. Main compositions of the Group's operating expenses in 2019 are listed as follows:

Unit: RMB in million

Item	2019	2018	Change	Year-on-year growth rate
Operating expenses				
Depreciation and amortization	715.1	218.5	496.6	227.28%
Staff costs	4,914.8	3,484.6	1,430.2	41.04%
Other operating expenses	4,199.5	2,157.6	2,041.9	94.64%
Impairment losses	410.4	408.3	2.1	0.51%
Total	10,239.8	6,269.0	3,970.8	63.34%

Depreciation and amortization increased by RMB497 million or 227.28% as compared with 2018, which was primarily due to the purchases of fixed assets and intangible assets, resulting in increased depreciation and amortization.

Staff costs increased by RMB1.430 billion or 41.04% as compared with 2018, which was primarily due to an increase in bonus for improving performance in 2019.

Other operating expenses increased by RMB2.042 billion or 94.64% as compared with 2018, which was primarily due to the increase in growth in costs of other businesses involved in the warehouses receipts business.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Impairment losses of assets amounted to RMB410 million, representing an increase of RMB2 million as compared with 2018, details of which are listed as follows:

Unit: RMB in million

Item	2019	2018	Change	Year-on-year growth rate
Impairment losses				
Allowance for/(reversal of) impairment loss in respect of accounts receivable	11.5	69.1	-57.6	-83.36%
Impairment loss in respect of other receivables	67.2	11.2	56.0	500.00%
Impairment loss in respect of advances to customers	-3.9	287.7	-291.6	-101.36%
Impairment loss in respect of financial assets held under resale agreements	254.1	35.5	218.6	615.77%
Impairment loss of credit of financial assets measured at amortized cost	9.3	6.5	2.8	43.08%
Impairment loss of credit of debt instruments measured at fair value through other comprehensive income	69.8	-1.3	71.1	N/A
Impairment loss of credit of bank balance	0.3	-0.2	0.5	N/A
Inventory	2.1	0.0	2.1	N/A
Total	410.4	408.3	2.1	0.51%

Impairment losses of assets of the Group amounted to RMB410 million in 2019, which was mainly due to the fact that the Company made the impairment provision for the financial assets held under resale agreements of RMB254 million and the impairment provision for the proprietary investment bonds of RMB79 million based on the expected credit loss model in the context of a rather volatile market.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

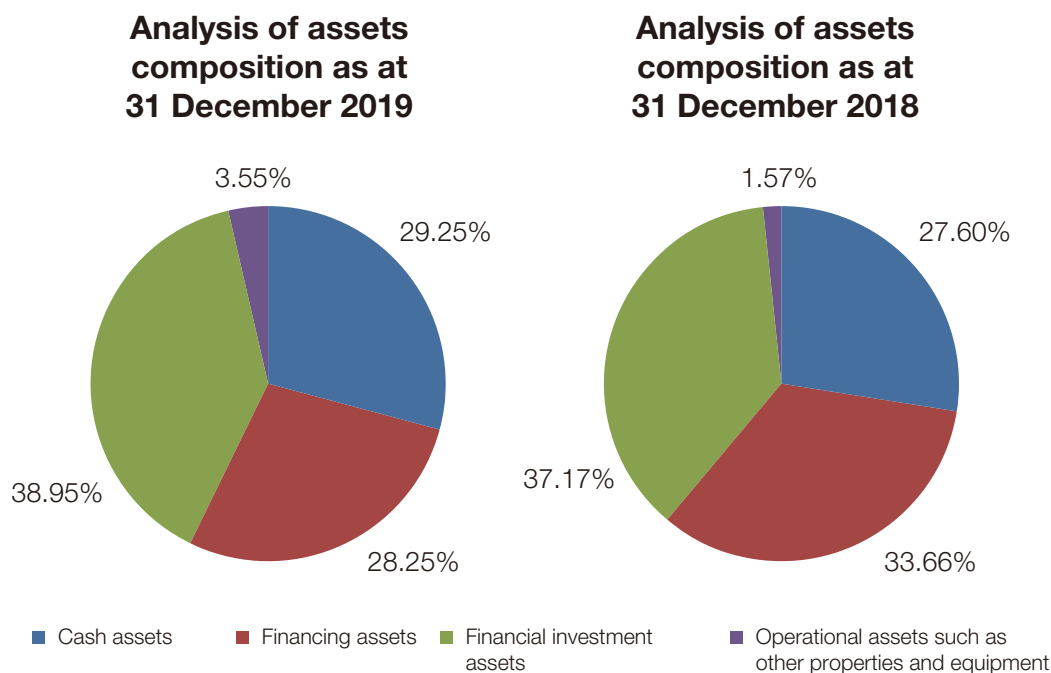
2. Asset items

As at 31 December 2019, the total assets of the Group amounted to RMB315.666 billion, representing an increase of 25.58% as compared with 2018. Among them, cash assets amounted to RMB92.341 billion, representing an increase of 33.10% with as compared with 2018; financing assets amounted to RMB89.159 billion, representing an increase of 5.39% as compared with 2018; financial investment assets amounted to RMB122.966 billion, representing an increase of 31.61% as compared with 2018; and operational assets such as other properties and equipment, mainly including fixed assets, projects under construction, intangible assets and interest receivable, amounted to RMB11.200 billion, representing an increase of 182.93% as compared with 2018. Major changes in the Group's total assets are listed as follows:

Unit: RMB in million

Item	31 December 2019	31 December 2018	Change	Year-on-year growth rate
Cash assets	92,341.0	69,376.0	22,965.0	33.10%
Financing assets	89,159.4	84,599.0	4,560.4	5.39%
Financial investment assets	122,965.8	93,429.8	29,536.0	31.61%
Operational assets such as other properties and equipment	11,199.7	3,958.4	7,241.2	182.93%
Total	315,665.9	251,363.3	64,302.6	25.58%

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



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Cash assets

As at 31 December 2019, the Group's cash assets increased by RMB22.965 billion or 33.10% as compared with 2018, accounting for 29.25% of the Group's total assets. The composition of the Group's cash assets is listed as follows:

Unit: RMB in million

Item	31 December 2019	31 December 2018	Change	Year-on-year growth rate
Cash assets				
Bank balances	70,329.3	51,413.6	18,915.7	36.79%
Clearing settlement funds	11,276.5	12,686.5	-1,410.1	-11.11%
Deposits with exchanges and other financial institutions	10,735.2	5,275.9	5,459.3	103.48%
Total	92,341.0	69,376.0	22,965.0	33.10%

The change in cash assets was mainly reflected in bank balances, which amounted to RMB70.329 billion, representing an increase of 36.79% as compared with 2018, which was mainly due to the increase in the size of client margin deposits.

Deposits with exchanges and other financial institutions increased by RMB5.459 billion or 103.48% as compared with 2018, which was primarily due to the consolidation of CGS-CIMB Securities.

Financing assets

As at 31 December 2019, the Group's financing assets increased by RMB4.560 billion or 5.39% as compared with 2018, accounting for 28.25% of the Group's total assets. The composition of the Group's financing assets is listed as follows:

Unit: RMB in million

Item	31 December 2019	31 December 2018	Change	Year-on-year growth rate
Financing assets				
Advances to financing customers	58,721.3	44,631.9	14,089.4	31.57%
Financial assets held under resale agreements	30,438.1	39,967.1	-9,529.0	-23.84%
Total	89,159.4	84,599.0	4,560.4	5.39%

Advances to financing customers increased by 31.57% to RMB58.721 billion, which was primarily due to the growth of the Group's financing business.

Financial assets held under resale agreements decreased by 23.84% to RMB30.438 billion, which was primarily due to the decline in the size of the share pledge business.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Financial investment assets

As at 31 December 2019, the Group's financial investment assets increased by RMB29.536 billion or 31.61% as compared with 2018, accounting for 38.95% of the Group's total assets. The composition of the Group's financial investment assets is listed as follows:

Unit: RMB in million

Item	31 December 2019	31 December 2018	Change	Year-on-year growth rate
Financial investment assets				
Investment in an associate	1,320.1	876.8	443.3	50.56%
Financial assets measured at fair value through profit or loss	74,039.1	60,338.3	13,700.8	22.71%
Financial instruments measured at amortized cost	5,031.3	5,061.8	-30.5	-0.60%
Debt instruments measured at fair value through other comprehensive income	23,017.5	17,299.2	5,718.3	33.05%
Equity instruments measured at fair value through other comprehensive income	19,349.2	9,777.4	9,571.8	97.90%
Derivative financial assets	208.5	76.3	132.2	170.30%
Total	122,965.8	93,429.8	29,536.0	31.61%

Debt instruments measured at fair value through other comprehensive income increased by 33.05% to RMB5.718 billion, which was mainly due to the increase in size of bond investments.

Equity instruments measured at fair value through other comprehensive income increased by 97.90% to RMB9.572 billion, which was mainly due to the increase in size of the perpetual bond invested.

As at 31 December 2019, the Group's financial assets measured at fair value through profit or loss increased by RMB13.701 billion or 22.71% as compared with 2018, accounting for 23.45% of the Group's total assets, which was mainly due to the increase in the size of investment in debt securities. The composition of the Group's financial assets measured at fair value through profit or loss is listed as follows:

Unit: RMB in million

Item	31 December 2019	31 December 2018	Change	Year-on-year growth rate
Financial assets measured at fair value through profit or loss				
Debt securities	47,983.2	35,924.0	12,059.2	33.57%
Equity securities	5,802.8	5,765.7	37.1	0.64%
Funds	10,699.7	12,766.5	-2,066.8	-16.19%
Trust schemes	547.4	1,759.6	-1,212.2	-68.89%
Other investments	9,005.9	4,122.5	4,883.4	118.46%
Total	74,039.1	60,338.3	13,700.8	22.71%

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Operational assets such as properties and equipment

As at 31 December 2019, the Group's operational assets such as properties and equipment amounted to RMB11.200 billion, increasing by RMB7.241 billion or 182.93% as compared with 2018, accounting for 3.55% of the Group's total assets. The composition of the Group's operational assets such as properties and equipment as at the date indicated below is listed as follows:

Unit: RMB in million

Item	31 December 2019	31 December 2018	Change	Year-on-year growth rate
Operational assets such as properties and equipment				
Property and equipment	382.8	364.5	18.3	5.03%
Goodwill	439.5	223.3	216.3	96.86%
Other intangible assets	493.5	391.7	101.9	26.01%
Deferred tax assets	99.8	477.5	-377.6	-79.09%
Accounts receivable	5,116.8	643.1	4,473.7	695.64%
Tax recoverable	370.8	169.4	201.4	118.85%
Other receivables and prepayments	2,948.6	1,680.8	1,267.8	75.43%
Right-of-use assets	1,339.7	0.0	1,339.7	N/A
Investment properties	8.0	8.2	-0.2	-2.44%
Total	11,199.7	3,958.4	7,241.3	182.93%

The increase in accounts receivable was mainly due to the settlement receivables of overseas subsidiaries.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

3. Liability items

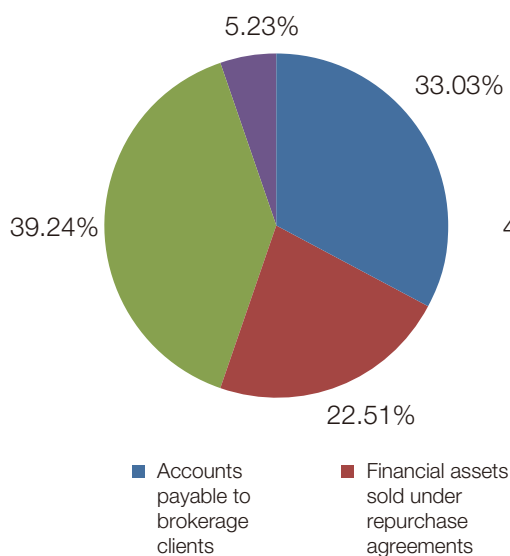
As at 31 December 2019, the Group's total liabilities amounted to RMB243.744 billion, increasing by RMB58.719 billion or 31.74% as compared with 2018. In order to vigorously develop the capital intermediary market, the Company increased the level of financial leverage, expanded the scale of financing and raised funds through various channels. As at 31 December 2019, accounts payable to brokerage clients was RMB80.509 billion, representing an increase of 42.00% as compared with 2018; financial assets sold under repurchase agreements was RMB54.856 billion, representing an increase of 95.49% as compared with 2018; due to banks and placements etc. was RMB95.636 billion, representing an increase of 4.78% as compared with 2018. Major changes in the Group's total liabilities are listed as follows:

Unit: RMB in million

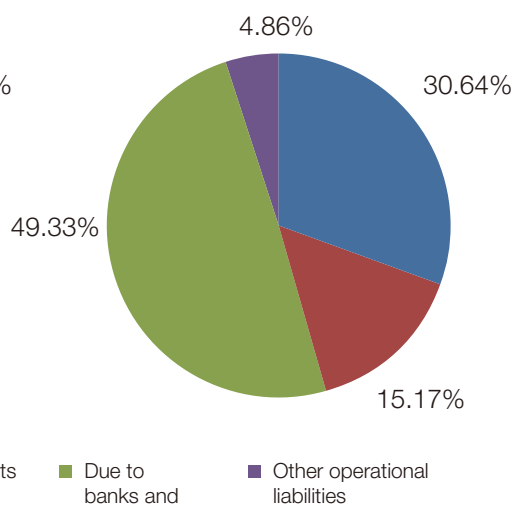
Item	31 December 2019	31 December 2018	Change	Year-on-year growth rate
Liabilities				
Accounts payable to brokerage clients	80,508.9	56,695.3	23,813.6	42.00%
Financial assets sold under repurchase agreements	54,855.7	28,059.9	26,795.8	95.49%
Due to banks and placements, etc.	95,635.6	91,274.5	4,361.1	4.78%
Other operational liabilities	12,744.1	8,995.7	3,748.4	41.67%
Total	243,744.2	185,025.4	58,718.8	31.74%

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

Analysis of liabilities composition as at 31 December 2019



Analysis of liabilities composition as at 31 December 2018



SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Due to banks and placements, etc.

Unit: RMB in million

Item	31 December 2019	31 December 2018	Change	Year-on-year growth rate
Due to banks and placements, etc.				
Due to banks and other financial institutions	13,952.7	5,012.7	8,940.0	178.35%
Financing instrument payables	24,017.8	16,532.9	7,484.9	45.27%
Bonds payable	57,665.1	69,729.0	-12,063.9	-17.30%
Total	95,635.6	91,274.5	4,361.1	4.78%

The amount payable to banks and non-bank financial institutions was RMB13.953 billion, representing an increase of 178.35% as compared with 2018, which was primarily due to new borrowing funds and the increased short-term borrowings from the consolidation of CGS-CIMB Securities.

Financing instrument payables increased by RMB7.485 billion year on year, mainly due to the increase in the issuance size of income certificates.

Bonds payable decreased by RMB12.064 billion year on year, solely due to the maturity of certain corporate bonds and subordinated bonds issued by the Group.

Other operational liabilities

Unit: RMB in million

Item	31 December 2019	31 December 2018	Change	Year-on-year growth rate
Accrued staff costs	3,354.7	2,591.5	763.2	29.45%
Other payables and accruals	5,554.2	4,711.0	843.2	17.90%
Income tax liabilities	49.2	11.0	38.2	347.27%
Financial liabilities measured at fair value through profit or loss	1,718.1	1,458.7	259.4	17.78%
Lease liabilities	1,336.7	0.0	1,336.7	N/A
Derivative financial liabilities	469.8	213.4	256.4	120.15%
Deferred tax liabilities	261.4	10.1	251.3	2,488.12%
Total	12,744.1	8,995.7	3,748.4	41.67%

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

Accrued staff costs increased by RMB763 million or 29.45% as compared with 2018, which was primarily due to the increase in the Group's financial results, which resulted in an increase in the performance based fee.

Financial liabilities measured at fair value through profit or loss increased by RMB259 million year on year, representing an increase of 17.78% over the same period of last year, mainly due to the increase in the scale of income swap products.

Derivative financial liabilities increased by RMB256 million or 120.15% year on year, mainly due to the increase in derivative financial liabilities resulting from the commencement of OTC options business.

4. Equity items

As at 31 December 2019, the Group's total equity was RMB71.922 billion, representing an increase of 8.42% as compared with 2018. The following table sets forth the composition of the Group's equities as at the dates indicated:

Unit: RMB in million

Item	31 December 2019	31 December 2018	Change	Year-on-year growth rate
Share capital	10,137.3	10,137.3	0.0	0.00%
Reserves	41,842.4	39,764.6	2,077.8	5.23%
Retained profits	18,915.9	16,080.2	2,835.7	17.63%
Non-controlling interests	1,026.1	355.8	670.3	188.42%
Total	71,921.7	66,337.9	5,583.8	8.42%

5 Segment Results

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

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

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

Unit: RMB in million

	2019		2018	
	Amount	Percentage	Amount	Percentage
Securities brokerage	12,344.6	52.54%	10,735.7	66.13%
Futures brokerage	3,527.8	15.02%	1,551.7	9.56%
Proprietary trading and other securities trading services	6,653.8	28.32%	2,425.5	14.94%
Investment banking	427.8	1.82%	497.7	3.07%
Asset management	687.0	2.92%	884.9	5.45%
Private equity investment	260.4	1.11%	-31.5	-0.19%
Overseas business	1,608.9	6.85%	520.8	3.21%
Others	-1,025.6	-4.37%	561.2	3.46%
Inter-segment eliminations	-991.2	-4.22%	-911.1	-5.61%
Total	23,493.5	100.00%	16,235.0	100.00%

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

Unit: RMB in million

	2019		2018	
	Amount	Percentage	Amount	Percentage
Securities brokerage	8,858.9	53.13%	6,955.4	55.42%
Futures brokerage	3,219.5	19.31%	1,215.3	9.68%
Proprietary trading and other securities trading services	2,804.9	16.82%	2,478.7	19.75%
Investment banking	359.9	2.16%	311.9	2.48%
Asset management	612.2	3.67%	801.8	6.39%
Private equity investment	84.0	0.50%	53.1	0.42%
Overseas business	1,559.7	9.36%	384.2	3.06%
Others	-376.4	-2.26%	917.4	7.31%
Inter-segment eliminations	-448.5	-2.69%	-567.4	-4.52%
Total	16,674.2	100.00%	12,550.3	100.00%

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

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

Unit: RMB in million

	2019		2018	
	Amount	Percentage	Amount	Percentage
Securities brokerage	3,485.7	51.03%	3,780.3	102.67%
Futures brokerage	308.2	4.51%	336.4	9.14%
Proprietary trading and other securities trading services	3,848.8	56.35%	-53.1	-1.44%
Investment banking	67.9	0.99%	185.8	5.05%
Asset management	74.8	1.09%	83.1	2.26%
Private equity investment	176.5	2.58%	-84.6	-2.30%
Overseas business	60.1	0.89%	134.0	3.64%
Others	-649.1	-9.50%	-356.2	-9.67%
Inter-segment eliminations	-542.8	-7.94%	-343.7	-9.33%
Total	6,830.1	100.00%	3,682.1	100.00%

(vi) Contingent liabilities

Nil

(vii) Analysis of investments

Unit: RMB in million

Item	31 December 2019		The period from 1 January 2019 to 31 December 2019		
	Initial investment cost/nominal value	Fair value	Net interest income	Investment gains	Changes in fair value
Financial assets at fair value through profit or loss	71,903.12	74,039.12	-	3,694.83	2,133.44
Debt instruments at fair value through other comprehensive income	22,198.61	23,017.49	985.57	104.25	34.61
Equity instruments at fair value through other comprehensive income	18,947.36	19,349.25	-	620.17	370.70
Financial liabilities at fair value through profit or loss	-1,561.96	-1,718.08	-	-93.21	-268.92
Derivative financial instruments	223,702.30	-261.29	-	-1,150.94	-208.72

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(viii) Analysis of major controlled companies and investees

- (1) Galaxy Futures has a registered capital of RMB1.2 billion, in which the Company holds an equity interest of 83.32%. Its major business scope is commodity futures brokerage, financial futures brokerage, futures investment consultancy, assets management and sales of funds. According to the financial statements prepared in accordance with Chinese Accounting Standards for Business Enterprises, as at 31 December 2019, the total assets and net assets of Galaxy Futures were RMB21.355 billion and RMB2.105 billion, respectively. In 2019, it achieved an operating income and a net profit of RMB3.522 billion and RMB231 million, respectively. On 21 November 2018, the Company and RBS Asia Futures Limited entered into the Equity Transfer Agreement, pursuant to which RBS Asia Futures Limited agreed to sell and the Company agreed to acquire 16.68% equity interest in Galaxy Futures. Upon completion of the equity transfer, Galaxy Futures will become a wholly-owned subsidiary of the Company. As at the date of this report, such transfer of equity is in the process of approval by the regulatory authority and is yet completed.
- (2) Galaxy Capital has a registered capital of RMB1 billion, in which the Company holds an equity interest of 100%. Its major business scope is to establish private equity investment funds and manage private equity investment funds, etc. According to the financial statements prepared in accordance with Chinese Accounting Standards for Business Enterprises, as at 31 December 2019, the total assets and net assets of Galaxy Capital were RMB1.284 billion and RMB1.062 billion, respectively. In 2019, it achieved an operating income and a net profit of RMB83 million and RMB48 million, respectively.
- (3) Galaxy International Holdings has a registered capital of HK\$3.261 billion, in which the Company holds an equity interest of 100%. Its major business scope is to provide services of securities and futures brokerage, research and analysis, investment banking, margin financing and securities lending, asset management, wealth management and derivatives, etc. in regions and countries such as Hong Kong, Singapore, Indonesia, Thailand, Malaysia, India, South Korea, Britain and the United States through a number of wholly-owned subsidiaries and joint ventures. According to the financial statements prepared in accordance with Chinese Accounting Standards for Business Enterprises, as at 31 December 2019, the total assets and net assets of Galaxy International Holdings were RMB21.292 billion and RMB4.032 billion, respectively. In 2019, it achieved an operating income, a net profit and a net profit attributable to the parent company of RMB1.077 billion, RMB38 million and RMB55 million, respectively. Since April 2019, Galaxy International Holdings has consolidated CGS-CIMB Securities into its consolidated financial statements.
- (4) Galaxy Jinhui has a registered capital of RMB1.0 billion, in which the Company holds an equity interest of 100%. Its major business scope is securities assets management. According to the financial statements prepared in accordance with Chinese Accounting Standards for Business Enterprises, as at 31 December 2019, the total assets and net assets of Galaxy Jinhui were RMB1.941 billion and RMB1.329 billion, respectively. In 2019, it achieved an operating income and a net profit of RMB688 million and RMB56 million, respectively.
- (5) Galaxy Yuanhui has a registered capital of RMB3 billion, in which the Company holds an equity interest of 100%. Its major business scope is proprietary investment to enterprises business (including equity investment or bond investment), or to invest in other investment funds related to equity investment and bond investment. According to the financial statements prepared in accordance with Chinese Accounting Standards for Business Enterprises, as at 31 December 2019, the total assets and net assets of Galaxy Yuanhui were RMB3.243 billion and RMB3.179 billion, respectively. In 2019, it achieved an operating income and a net profit of RMB173 million and RMB105 million, respectively.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(ix) Structured entities controlled by the Company

As at 31 December 2019, the Group consolidated 38 structured entities, including asset management schemes and partnerships. For asset management schemes with the Group as the manager and partnerships with the Group as a general partner or the investment manager, it identifies the controlling right over certain asset management schemes and certain partnerships and incorporates them into the scope of the consolidation after considering the investment decision-making right on them, the exposure to variable returns and other factors. As at 31 December 2019, the total assets of the above structured entities incorporated into the consolidation were RMB5.611 billion.

(x) Others

1. *Establishment of securities branches and branch offices during the Reporting Period*

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

(1) *Cancellation of securities branch*

In October 2019, the Company received the Approval from the CSRC Yunnan Office for the Cancellation of Hekou Fu'an Road Securities Branch by China Galaxy Securities Co., Ltd. (Yun Zheng Jian Xu Ke [2019] No. 11). During the Reporting Period, the Company was performing the relevant cancellation procedures. In January 2020, the Company has completed the cancellation.

(2) *Relocation of branch offices and securities branches*

The Company has constantly adjusted and optimized the branch layout. During the Reporting Period, the Company relocated 37 branches within the same city, including 4 branch offices and 33 securities branches, namely Anhui branch office, Hainan branch office, Jiangxi branch office, Ningbo branch office, Huangshan Xianrendong South Road Securities Branch, Hefei Linqun Road Securities Branch, Hefei Jincheng Securities Branch, Chaozhou Chaofeng Road Securities Branch, Zhuhai Jida Road Securities Branch, Zhanjiang Lianjiang North-South Avenue Securities Branch, Qingyuan Yinquan South Road Securities Branch, Foshan Nanhai Dali Securities Branch, Zhanjiang Lvhu Road Securities Branch, Foshan Shunde Guotai South Road Securities Branch, Guangzhou Dongfeng Middle Road Securities Branch, Shenzhen Shuibei Securities Branch, Guiyang Beijing Road Securities Branch, Haikou Guoxing Avenue Securities Branch, Zhengzhou Dongfeng Road Securities Branch, Jilin Jiangwan Road Securities Branch, Nanjing Zhujiang Road Securities Branch, Nanjing Jiangning Jinbo Road Securities Branch, Nanchang Yangming Road Securities Branch, Yingkou Liaohe Street Securities Branch, Weihai Tongyi Road Securities Branch, Taiyuan Taoyuan Securities Branch, Taiyuan South Central Ring Street Securities Branch, Shanghai Yichuan Road Securities Branch, Shanghai Putuo District Daduhe Road Securities Branch, Shanghai Dongdaming Road Bund Securities Branch, Hami Securities Branch, Chuxiong Lucheng South Road Securities Branch, Ningbo Ningchuan Road Securities Branch, Wenzhou Station Avenue Securities Branch, Linhai Duqiao Huancheng South Road Securities Branch, Ningbo Dazha South Road Securities Branch, and Chun'an Nanjing Road Securities Branch.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

2. Introduction to account regulation

During the Reporting Period, the Company further implemented the long-term mechanism of account regulation management to ensure the orderly commencement of account regulation business, and its branches had no risk disposition account. The Company's original unqualified accounts and petty dormant accounts were regulated and re-activated orderly. As at the End of the Reporting Period, the Company had 1,806 unqualified fund accounts, and regulated no unqualified fund account. It re-activated 8,252 petty dormant fund accounts, increased 567,734 petty dormant accounts annually and logged 2,591,790 petty dormant fund accounts as at the End of the Reporting Period (including 570,184 pure fund accounts under management with reference to standards for dormant account management). Apart from that, the Company scored 138 fund accounts judicially frozen as at the end of the period, representing a decrease of 27 accounts.

3. Business innovation and its influence and risk control during the Reporting Period

(1) Business innovation

During the Reporting Period, the Company actively carried out credit derivative business innovation, conducted core credit protection contract dealer filing, obtained business qualifications such as the qualification for the first batch of market makers for national debts and futures business in the China Financial Futures Exchange, and strengthened the sales of financial products. Galaxy Capital vigorously facilitated the preparations for the establishment of private equity funds and merger and acquisition funds.

(2) Risk control for business innovation

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

(i) Carrying out sufficient risk assessment from multiple perspectives

At the early stage of innovative business, the Company's business departments first carry out risk self-assessment and conduct a comprehensive analysis of the operation model of innovative business, main risks, measurement models, potential losses under pressure scenarios and supporting measures to cope with risks. The Company's risk and compliance departments invite external experts to conduct independent assessment of areas including laws and regulations, risk appetite, basic assumptions of risk management, risk point control and risk model from their respective professional perspectives. Based on the assessment results, the Company makes decisions on innovative business and determines the conditions for business launch and the relevant restrictive requirements.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(ii) Making preparations for risk control before business launch

All innovative business of the Company are required to undergo risk identification, analysis and assessment and shall not be launched until the corresponding risk control conditions are fulfilled. Basic risk control conditions include: Supporting system and procedures. On the basis of compliance with the Company's overall risk management system and management measures for various special risks such as market, credit, operational and liquidity risks, for a specific innovative business, business risk control standards are determined and risk management process is regulated by formulating necessary risk management guidelines, detailed rules and workflow; applicable risk control indicator system. Innovative business is included in the Company's hierarchical risk limit management system. Corresponding risk control indicators are developed in view of its risk characteristics, and threshold is set to enable the quantitative management of innovative business risks; necessary personnel and system support to meet business needs and reasonably allocate human resources. Business system and risk management system are established and improved to lay a foundation for the safe operation of innovative business.

(iii) Continuous follow-up management after business launch

Upon the launch for operation of an innovative business, it will be incorporated into the Company's daily risk management system for risk measurement, monitoring, assessment and reporting. The Company attaches great importance to risk process management, keeps track of risk trends, and takes timely measures to deal with the abnormal risk identified. In the operation process of innovative business, the Company will assess whether the risk control measures continuously match the business risk characteristics, and will timely adjust the supporting system process, risk limit, risk control standard and system function in line with the changes in risk levels at different development stages of innovative business, in order to meet the needs of business development and risk management.

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

(i) Industry landscape and trend

In 2019, with the continuous improvement in the marketization degree of the capital market, the gradual implementation of policies and measures supporting the key tasks for comprehensively deepening capital market reform and the successful launch of the Science and Technology Innovation Board, the securities industry continued to pick up, with a significant increase in profitability and optimizing income structure. In 2020, despite the short-term disturbance from the novel coronavirus pneumonia epidemic, the thriving trend of the capital market remained with the implementation of new "Securities Laws" and further reform. Under the background of continuously strict regulation and risk prevention, securities companies will face both growing competition pressure and new opportunities for development. The trend of vigorous development of dual-wheel drive of institution and wealth management in the securities industry has become more obvious, and the brokerage commission rate's downward trend put pressure on the long-term and continuous decrease in profitability of domestic securities companies. In addition, the development of securities lending is expected to become an important breakthrough of capital intermediary business, and the investment banking business will benefit from the development of direct financing. The trend of transformation into active management model for asset management business will continue. The synergies of integrated financial service business of securities companies are expected to be further leveraged, and the internationalization process will be further accelerated.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(ii) Development strategy of the Company

In 2020, the Company will continue to implement its business model of “Dual-wheel Drive and Coordinated Development”, optimize its management mechanism of “centralized organization + line supervision + hierarchical management”, and build an integrated business system of “wealth management, investment and financing, international business”. On the basis of transformation and development in the past three years, the Company will actively promote supply side structural reform in line with the national development strategies and macro-economic trend in the PRC, and capture market opportunities to pursue strategic mergers and acquisitions and promote expansional development. It will adopt various strategic measures to drive itself to improve competitiveness and achieve high-quality development, and strive to make steady progress in the Group’s operating results and become a systemically important securities financial institution.

(iii) Operation plans

The year 2020 is the first year of the “consolidation period” under the Company’s five-year strategic development plan. As its development takes a new step, the Company will continue to strengthen its wealth management and investment and financing business systems, consolidate the achievements of the transformation period and gradually realize the transformation of its income-generating mode. In addition, the Company will further build an international business system to lay a solid foundation for building the basic structure of an international investment bank. In particular, for wealth management business, the Company will promote the breakthrough of wealth management service mode in terms of its own innovative service ability and information technology support, optimize the development of the wealth management business system, improve the development of standardized hierarchical investment advisory services, the training of professional talent teams of headquarters and branches and the development of supporting incentive mechanism. For investment and financing business, the Company will continue to implement its party committee’s arrangements for serving key national strategies, serving real economy and serving the transformation and development of the Company, and further improve its expertise and profitability according to market changes and customer needs. For international business, while following the principle of “seeking progress in stability” and striving to develop the international business under the “channel + quota” structure, the Company will explore the development of an international business system with securities companies as the leading role and “account system” as the infrastructure, enhance the initiative and coordination of international business of securities companies, integrate overseas business into a unified compliance risk control system and implement penetration management. By centering around the “Belt and Road Initiative” and the development of the Guangdong-Hong Kong-Macao Greater Bay Area and free trade zone, the Company will establish an international business system structure with Galaxy International Holdings, CGS-CIMB Securities, Hainan Branch and Guangdong Branch of the Company as basic platforms and Southeast Asia as the core and covering Asia, choose an opportunity to enter the African and Eastern European markets and keep an eye on developed markets such as the United States and Europe.

(iv) Potential risks

During the Reporting Period, by pursuing a sound risk management culture, continuously strengthening the construction of comprehensive risk management system, and further improving the comprehensive risk management system and comprehensive risk management organizational system, the Company clarified the risk management responsibilities of the “three-layer defense”. It implemented hierarchical risk indicator management, continued to optimize the mechanism for risk identification, assessment, measurement, monitoring, reporting and response, attached importance to and strengthened the construction of risk management talent teams, continued to promote the construction of various risk management systems, deepened the vertical risk management of its subsidiaries and effectively improved its risk management ability. Besides, the Company has always attached great importance to compliance risk. It has gradually established and improved an internal control mechanism for all staff and the whole process to ensure its operation in compliance with laws and regulations. The Company continued to increase IT investment, conducted IT basic research and construction, promoted the comprehensive and in-depth independent development to ensure safe and steady system operation, and established and improved a customer service system to provide effective support for its business development. To meet the needs of business development, operation and management, the Company actively assigned additional risk control, compliance and IT personnel to further enhance its core competitiveness of comprehensive risk management.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

The operating activities of the Company expose to risks mainly including market risk, credit risk, liquidity risk, operational risk, etc. During the Reporting Period, the Company adopted effective measures and actively responded to risks so as to comprehensively prevent the occurrence of significant risks and ensure the smooth commencement of operating activities.

1. Market risk

Market risk is originated from the fluctuation of the fair value or future cash flows in respect of financial instruments held or to be held by the Company resulting from the changes in securities price, interest rate and currency rate and etc., including securities price risk, interest rate risk and currency rate risk.

(1) Securities price risk

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

The securities price risk of the Company was mainly derived from the positions held in businesses such as proprietary investment and market making business. In order to control risks effectively, the Company mainly adopted the following measures. Firstly, by creating securities investment portfolios, the Company made use of financial derivatives to carry out effective risk hedging. Secondly, the risk exposures of the Company's positions were managed on a unified basis. Through the defensive lines of the internal risk division of the business department and the risk management department, the Company implemented independent risk monitoring, analysis and reporting to discover and handle risks in a timely manner. Thirdly, the Company implemented the risk limit management to control indicators such as the scale of risk exposure, concentration level and limit of loss, and made adjustments irregularly to respond to the ever-changing market conditions, business conditions or risk tolerance. Fourthly, the Company adopted quantitative means such as VaR and combined with other methods such as scenario analysis and stress test to assess the relative and absolute risks of the portfolios.

During the Reporting Period, the Company made active use of such ways as risk hedging and limit management, and effectively monitored and managed the position risks of the securities held by the Company. As at the End of the Reporting Period, the VaR of the Company's total investment portfolio amounted to approximately RMB46 million, accounting for 0.07% of its net capital.

(2) Interest rate risk

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

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

(3) Currency rate risk

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

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

2. *Credit risk*

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

During the Reporting Period, the Company's bond investment credit risk appetite remained relatively stable. The investors of credit bonds were mainly central enterprises and state-owned enterprises, accounting for 89%, and the ratings of bonds were mainly AAA, accounting for 75%. They generally had high credit rating and low default risk. As at the End of the Reporting Period, the Company maintained an average margin ratio of 266% for the its margin financing and securities lending clients with outstanding liabilities, an average margin ratio of 293% for its stock-pledged repurchase clients with outstanding liabilities and an average margin ratio of 238% for its agreed repurchase securities trading clients with outstanding liabilities. The overall credit risk of the Company was within the acceptable range.

3. *Liquidity risk*

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

To cope with and manage liquidity risk effectively, the Company has strengthened the real-time monitoring and management of usage of large amounts of funds in order to achieve centralized fund allocation and coordinated liquidity risk management; included the requirements such as debt financing and leverage ratio in the risk limit and established and continued to optimize the liquidity risk indicator system; monitored and reported the liquidity of the Company on a daily basis in order to make risk warning in a timely manner; conducted regular stress tests to analyze and evaluate the level of liquidity risk; continued to optimize asset-debt structure to build a multi-level liquidity reserve system; and achieved the diversification of capital replenishment channels through accessing the currency market, capital market and bank credit.

During the Reporting Period, the overall liquidity risk of the Company was under control. Various financial indicators had excellent performance. The liquidity risk control indicators met regulatory requirements continuously.

4. *Operational risk*

Operational risk refers to the risk of incurring losses resulting from internal events including the defect of the Company's process, misconduct of personnel or system failures, or from such external events as natural disaster and fraud. In order to manage operational risk effectively, the Company has established a well-established internal control system and regularly carried out effective assessment of internal control and compliance management throughout the Company. The risk management department has a designated second-level department for operational risk management to assist with the regulation and optimization of relevant business procedures, to identify, analyze and monitor operational risks, and to implement the unified management of risk events and data loss. Besides, the Company has constantly strengthened the suitability of behaviors and standardization of operations of personnel at all positions through internal training, supervision and assessment, etc., and promoted and optimized the functions of the systems.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

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

5. *Cyber security risk*

Cyber risk refers to the risks involved in availability or integrity of data generated by the use of information and communication technologies of the Company, as well as risks including property damage caused by business interruptions as result of Company's cyber operation technologies.

In order to effectively cope with and manage the cyber risks, the Company mainly adopted the following measures: establishing and improving the network security management system, making full use of various technologies, building a network security management ensuring system; formulating a system for disaster recovery and offsite backup within the same city, and ensuring a safe physical network environment; using data backup technology and hardware redundancy backup technology to improve the security level of hardware, software and data. The Company also strived to achieving information security management and control in key matters, including network planning and isolation, information system security baseline, access to network, office terminal control and so on; deploying anti-virus and data anti-leakage systems, installing firewalls and other anti-network attack security devices at network boundaries; conducting security vulnerability scanning on important systems on a regular basis and engaging external security companies to carry out security assessments and penetration tests for essential systems.

During the Reporting Period, the overall cyber risk of the Company was under control and important information technology systems operated in a safe and stable manner.

(v) **Dynamic risk control indicator monitoring and top-up mechanism setup**

The Company has a sound organizational system for risk control indicator management. Management, monitoring, stress test, internal audit review and other related work of risk control indicators are carried out by designated staff of related departments. In 2019, the Company has continued to conduct dynamic monitoring of routine net capital and liquidity risk control indicators by continuing to use the risk control indicator dynamic monitoring system and realized real-time and dynamic monitoring and pre-warning of the Company's net capital and liquidity risk control indicators. In order to prevent any shock and impact on risk control indicators due to significant capital expenditure including profit distribution, capital increase of subsidiaries, major investment and overseas merger and acquisition, effective measures have been promptly taken, such as issuance of long- or short-term bond through earlier calculation and predicting net capital and liquidity risk control indicators at the end of the period, so as to prevent the possible risk of exceeding the limit of risk control indicators. Based on the market and business development needs, we carried out stress test and sensitivity analysis on both regular and ad hoc basis to analyze the conditions which may appear in the future and their impact on the net capital and liquidity risk control indicators of the Company, and formulated the relevant response measures to ensure that all risk control indicators reached the target levels.

In 2019, the Company strengthened debt management, asset management and asset-liability matching management, ensured safe liquidity, reasonable asset pricing, and optimized asset allocation, and strove to improve the asset-liability management level of the Company. The Company established a dynamic top-up mechanism and made long-term top-up plans for net capital. The Company raised short-term capital to increase its liquidity coverage by issuing income certificates and short-term commercial papers, etc. It replenished the long-term available stable fund to increase the net stable fund rate through the issuance of long-term corporate bonds and subordinated debts, etc. The Company adhered to prudent financial principles, so as to ensure a dynamic balance between the business development and risk resistance capability of the Company. The Company made proper capital allocation and debt financing arrangements. When the capital adequacy target continued to fall or there were potentially significant adverse factors, the Company started the financing programme at an appropriate time based on the market conditions to guarantee the level of the capital adequacy. As at the end of December 2019, the Company issued 9 long-term subordinated debts to replenish net capital of subsidiaries with RMB14.010 billion and enhance their net capital strength.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

(vi) Construction of risk management system

The Company has established an upper level of risk management structure system consisting of the Board of Directors, the Supervisory Committee and the management. The basic level of the risk management structure of the Company is built based on “three lines of defense” which incorporated the risk management of the subsidiaries to implement a vertical management of risk management.

1. *The Board of Directors and its special committees*

Within the scope of authorization granted at the general meeting of shareholders of the Company, the Board of Directors is the highest decision-making authority for risk management of the Company, which undertakes the ultimate responsibilities for risk management. The Board of Directors performs part of its functions of risk management through the Compliance and Risk Management Committee and the Audit Committee.

(1) *Compliance and Risk Management Committee*

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

(2) *Audit Committee*

The Audit Committee (i) supervises the disclosure of the Company's accounting information and other major issues, reviews the critical accounting policies and their actual implementation and monitors the implementation of the Company's major financial decisions and annual budget; (ii) reviews and evaluates the Company's internal control system; (iii) formulates the Company's internal audit development plans and approves the annual audit plan; (iv) controls connected transactions and carries out the daily management work under the leadership of the Board; (v) oversees the implementation of the rectifying measures by the management in response to the audit opinion; (vi) inspects, monitors and evaluates the Company's internal audit work; (vii) makes suggestions to the Board on the appointment and removal of the external auditors, approves the remuneration and the terms of appointment of the external auditors and deals with any relevant issues regarding the resignation or removal of external auditors; (viii) inspects and monitors the independence and objectivity of the external auditors and the effectiveness of the audit procedure; (ix) develops and implements the policy on engaging external auditors to provide non-audit services; and (x) carries out other matters as authorized by the Board.

2. *Supervisory Committee*

The Supervisory Committee is responsible for the supervision of risk management and supervision and inspection of the Board of Directors and the management in respect of their performance of risk management duties in accordance with laws, regulations and the Articles of Association, and urging rectification.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

3. *The management*

The management is primarily responsible for risk management and performs risk management duties according to the authorization given by the Board, which includes: (i) formulating risk management systems and adjusting them timely; (ii) establishing and developing a sound corporate risk management structure; (iii) setting risk appetite, risk tolerance and limits for major risks and ensuring their effective implementation; (iv) regularly assessing the overall risk of the Company and the management status of key risks, solving existing issues in risk management and reporting to the Board; (v) establishing an appraisal system for all employees which includes the effectiveness of risk management; (vi) establishing a comprehensive IT system and data quality control system; and (vii) performing other functions of risk management.

The Chief Risk Officer and Compliance Officer, both appointed by the Board of Directors, are in charge of the risk management and compliance management of the Company. The Chief Risk Officer is the person-in-charge of the overall risk management of the Company and is responsible for supervising the implementation of risk management policies and procedures and establishing comprehensive risk management systems. The Chief Risk Officer reports potential risks to the Board of Directors, the Supervisory Committee and major management personnel. The Compliance Officer is the person-in-charge of the compliance management of the Company and examines, supervises and inspects the compliance of business operation management of the Company and its employees. The Compliance Officer reports to the Board of Directors, the Supervisory Committee and major management personnel if any illegal activities and non-compliance incidents or potential compliance risks was found in the Company, and puts forward suggestions and urges for rectification.

4. *Departments, branches and subsidiaries*

Business departments, functional departments and branches of the Company are charged with the first responsibility in risk management. They shall execute the Company's risk management policies and systems, fully understand and give due consideration to various risks when making decisions, and timely and effectively identify, assess, monitor, respond to and report relevant risks. The Company deploys full time/part-time risk management and compliance management personnel in the business departments and branches to be responsible for the specific risk management and compliance management work.

The Risk Management Department is responsible for promoting the comprehensive risk management under the leadership of the Chief Risk Officer, and coordinating the risk management work of each department for various types of risks. In particular, in response to market risk, credit risk, operational risk and liquidity risk, it independently identifies, assesses, monitors and reports relevant risks, provides risk management suggestions for business decisions, assists, guides and inspects the risk management of all departments, branches and subsidiaries.

The Legal Compliance Department is the supporting department for the identification, assessment, supervision, inspection and reporting of the legal risk and compliance risk of the Company, and is responsible for providing professional support services for laws and regulations to the Company's departments and branches and providing guarantee for its compliance operation.

The Capital Management Department is responsible for the deployment of funds and liquidity management of the Company. The Financial Management Department is responsible for measuring, monitoring and reporting of net capital, establishment of a dynamic monitoring system for risk control indicators in compliance with regulatory requirements and daily operation and management of the system.

SECTION IV DISCUSSION AND ANALYSIS ON OPERATION

The Audit Department is responsible for examining and assessing, independently and objectively, the adequacy and effectiveness of risk management. If issues are identified, it will urge the responsible person to rectify timely and follow up and inspect the implementation of the rectifying measures.

The Disciplinary Inspection Office is responsible for the implementation of disciplinary inspection by the Party Committee and monitoring of the operation and management of the Company, as well as assisting the Party Committee in strengthening Party conduct and organizing and coordinating anti-corruption and advocacy of integrity.

Functional departments including the Human Resources Department, the IT Department, the Settlement Management Department and the Office perform risk management duties within their functional responsibilities. They are mainly responsible for identifying, assessing, monitoring and reporting the risks of losing human resources and risks related to IT, settlement, external investment and Company reputation.

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

SECTION V DIRECTORS' REPORT

I. MAJOR BUSINESS AND BUSINESS OVERVIEW OF THE COMPANY

For details of the overall operation of the Company during the Reporting Period, future business development of the Company and the major risks faced by the Company, please refer to “Section IV Discussion and Analysis on Operation – I. Management Discussion and Analysis, II. Analysis of Major Operation During the Reporting Period, and III. Discussion and Analysis on Future Development of the Company” in this report. For details of the major events after the end of financial year, please refer to “Section VI Other Significant Events – VII. Important Issues after the Period” in this report.

For the environmental policies and performance of the Company, please refer to “XV. Other Disclosures – (viii) Active performance of social responsibilities” of this section. For details of the Company’s compliance with the laws and regulations having major impact on the Company, please refer to “XV. Other Disclosures – (viii) Active performance of social responsibilities” of this section, “Section VI Other Significant Events – VI. Other Material Issue” in this report and “Section IX Corporate Governance Report – IX. Development of Compliance Management System, and Inspection and Audit Completed by the Compliance Department and the Audit Department During the Reporting Period” in this report.

For details of the relationship between the Company and its employees and customers and others having material influence on the Company, please refer to “Section VIII Directors, Supervisors, Senior Management and Staff – VI. Staff and Remuneration” in this report and “XV. Other Disclosures – (vi) Major clients and suppliers and (viii) Active performance of social responsibilities” of this section.

The contents above form part of the directors’ report.

II. PLANS FOR PROFIT DISTRIBUTION OF ORDINARY SHARES OR CONVERSION OF CAPITAL RESERVE INTO SHARE CAPITAL

(i) Formulation, execution or adjustment of cash dividend policy

The Company is committed to long-term and sustainable development. It establishes sustainable and stable return plan and mechanism for its investors on the basis of comprehensive analysis of the Company’s actual conditions of operation and development, Shareholders’ concerns and requirements, cost of social capital and external financing environment after taking into consideration its current and future profitability, cash flow position, stage of development, fund requirements for project investment, bank credit and debt financing environment, so as to make systematic arrangement for the profit distribution to ensure the continuity and stability of its profit distribution policies. The Company fully considers the opinions of independent Directors and public investors in the study, demonstration and decision-making process of its profit distribution policies.

SECTION V DIRECTORS' REPORT

The Company expressly formulated profit distribution policies, including cash dividend policy, based on the following principles in the Articles of Association: The Company shall attach high importance to the return to investors and distribute dividends to shareholders on a yearly basis in a fixed proportion out of the distributable profit of the listed company for the year; the profit distribution policy of the Company shall be consistent and stable, while taking into account the long-term interests of the Company, the entire interests of shareholders as a whole, and the sustainable development of the Company; the Company shall distribute its profit by way of cash dividend as priority. The Company may distribute dividends in cash, shares or in a combination of cash and shares, and if the Company has met the conditions for cash dividends, it shall give priority to cash dividends for profit distribution. If the relevant conditions are satisfied, interim profit distribution may be made by the Company. Unless the Company has major capital expense arrangement or except for other special circumstances as approved at the shareholder's general meeting, if the Company makes profit for the year and its accumulative undistributed profit is positive, the profit to be distributed in cash per annum should not be less than 10% of the distributable profit of the parent company realized in that year. Where the Company is under a good operating condition, and the Board considers that the share price of the Company does not reflect its share capital size and distributing dividends in shares will be in the interest of all shareholders of the Company as a whole, depending on true and reasonable factors such as the Company's cash flow position, business growth and net assets per share, the Company may distribute profit by way of dividends. In formulating the plan of profit distribution, full consideration shall be given to whether the net capital of the Company after profit distribution conforms to the provisions of the "Measures for the Administration of Risk Control Indicators of Securities Companies" (《證券公司風險控制指標管理辦法》) with respect to the risk control indicators of net capital. If any alert from risk control indicators arises due to profit distribution, the profit proportion shall be adjusted. In case of force majeure, such as wars and natural disasters, changes in the external business environment resulting in material impacts on the operation of the Company, or significant changes of the operation of the Company, the Company may change its profit distribution policy. The Board of Directors shall explain the change of profit distribution policy and give the reasons thereof by a report for consideration by independent directors before submitting to the shareholders' general meeting for approval by way of a special resolution. Online voting shall be allowed for the resolution of the change of profit distribution policy.

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

Unit: Yuan Currency: RMB

Year of distribution	Number of bonus share for every 10 shares (share)	Dividends paid for every 10 shares (inclusive of tax) (RMB)	Number of shares to be converted into share capital for every 10 shares (share)	Amount of cash dividend (inclusive of tax)	Net profit attributable to ordinary shareholders of the listed company in the consolidated statements of the year with dividend payment	Percentage relative to the net profit attributable to ordinary shareholders of the listed company in the consolidated statements (%)
2019	0	1.60	0	1,621,961,401.12	5,228,429,052.09	31.02
2018	0	0.90	0	912,353,288.13	2,887,126,757.58	31.60
2017	0	1.20	0	1,216,471,050.84	3,980,730,433.74	30.56

SECTION V DIRECTORS' REPORT

Based on the undistributed profits of the Company amounting to RMB14,891,176,696.64 at the end of 2018, plus net profit of RMB4,836,870,133.21 achieved by the Company in 2019 and less cash dividends of RMB912,353,288.13 in the 2018 profit distribution plan implemented by the Company in 2019, the distributable profit of the Company for 2019 amounted to RMB18,815,693,541.72. According to the requirements of the Company Law, the Securities Law, the Financial Rules for Financial Enterprises and the Articles of Association, after setting aside the statutory reserve, the general risk reserve and the transaction risk reserve at a percentage of 10%, totalling RMB1,451,061,039.99, the profit available for distribution to investors for 2019 amounted to RMB17,364,632,501.73.

Taking into account of the Company's long-term development and the interests of investors, the Company proposes to distribute a cash dividend of RMB1,621,961,401.12 (inclusive of tax) for 2019, representing 31.02% of net profit attributable to shareholders of the listed company in the consolidated statements for the year of 2019. Based on the total share capital of 10,137,258,757 shares at the end of 2019, cash dividend per 10 shares will be RMB1.60 (inclusive of tax and the actual amount to be distributed may be different due to rounding). In case of any changes in the total share capital of the Company on the record date by reason of placing or repurchase, the amount of cash dividend per share will be adjusted accordingly, up to a total of RMB1,621,961,401.12 (inclusive of tax). After the cash dividend distribution, the undistributed profits of RMB15,742,671,100.61 for the year will be carried forward to the next year. The aforesaid profit distribution plan of the Company is complied with laws and regulations, and is transparent and consistent with the provisions of the Articles of Association and approval procedures, and the decision-making procedures and mechanisms are complete. It fully safeguards the interests of minority shareholders. The 2019 profit distribution plan of the Company was passed at the 57th meeting (regular) of the third session of the Board, subject to the approval at the annual general meeting.

Subject to approval of the resolution relating to the 2019 profit distribution plan at the 2019 annual general meeting, the cash dividends will be distributed within two months from the date of the 2019 annual general meeting (which will be no later than 31 August 2020). The cash dividends will be denominated and declared in RMB, and paid in RMB and in Hong Kong dollars to holders of A Shares and holders of H Shares, respectively. The actual amount distributed in Hong Kong dollars will be calculated based on the average benchmark exchange rate of RMB against Hong Kong dollars announced by the People's Bank of China for five working days prior to the date of the 2019 annual general meeting of the Company.

The Company will announce in due course the date of the 2019 annual general meeting and the time for the closure of its register of members for the purpose of determining shareholders' eligibility to attend and vote at the 2019 annual general meeting, during which time no transfer of shares will be registered. The Company will make separate notice on the record date for the distribution to the H Shares dividends, the date for the closure of its register of members and the date of distribution of dividends.

SECTION V DIRECTORS' REPORT

III. BONDS ISSUE

(i) Bonds issue during the Reporting Period

- (1) As of 31 December 2019, the Company's non-publicly issued subordinated bonds amounted to an aggregate principal amount of RMB30.0 billion, and such bonds were listed on the SSE. Details are set out as follows:

Subordinated bonds	Issue date	Issue price (or interest rate)	Issue Number (RMB 100 million)	Listing date	Number of bonds approved for listing and trading (RMB 100 million)	Closing date
18 Galaxy C1	April 2018	5.20%	8.00	May 2018	8.00	April 2020
18 Galaxy C2	April 2018	5.30%	32.00	May 2018	32.00	April 2021
18 Galaxy C3	May 2018	5.38%	55.00	June 2018	55.00	May 2020
18 Galaxy C6	October 2018	4.48%	50.00	November 2018	50.00	October 2021
18 Galaxy C8	December 2018	4.28%	15.00	December 2018	15.00	December 2021
19 Galaxy C2	January 2019	4.05%	40.00	February 2019	40.00	January 2022
19 Galaxy C4	February 2019	4.20%	34.00	March 2019	34.00	February 2022
19 Galaxy C5	March 2019	4.10%	32.00	March 2019	32.00	March 2021
19 Galaxy C6	March 2019	4.25%	34.00	March 2019	34.00	March 2022

- (2) As of 31 December 2019, the Company's non-publicly issued corporate bonds amounted to an aggregate principal amount of RMB31.31 billion, and such corporate bonds were listed on the SSE. Details are set out as follows:

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

SECTION V DIRECTORS' REPORT

- (3) As of 31 December 2019, the Company's publicly issued corporate bonds amounted to an aggregate principal amount of RMB20.5 billion, and such corporate bonds were listed on the SSE. Details are set out as follows:

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

- (4) As of 31 December 2019, the Company's publicly issued short-term commercial papers amounted to an aggregate principal amount of RMB8.0 billion, and such bonds were listed on interbank market. Details are set out as follows:

Short-term commercial papers	Issue date	Issue price (or interest rate)	Issue Number (RMB 100 million)	Listing date	Number of bonds approved for listing and trading in interbank market (RMB 100 million)	Closing date
19 Galaxy Securities CP001	October 2019	2.87%	10.00	October 2019	10.00	January 2020
19 Galaxy Securities CP002	November 2019	3.09%	40.00	November 2019	40.00	February 2020
19 Galaxy Securities CP003	December 2019	3.04%	30.00	December 2019	30.00	March 2020

SECTION V DIRECTORS' REPORT

(ii) Bond financing activities after the Reporting Period

1. Bonds issue after the Reporting Period

As of 27 March 2020, the newly issued corporate bonds and subordinated bonds of the Company for the year of 2020 are detailed as follows:

Name	Issue size (RMB100 million)	Use of funds	Value date	Maturity	Period	Interest rate
Non-public issuance of 2020 subordinated bonds (Tranche 1) (Type 1)	10	Supplement to working capital or repayment of interest-bearing debts	14 January 2020	14 January 2022	2 years	3.65%
Non-public issuance of 2020 subordinated bonds (Tranche 1) (Type 2)	40	Supplement to working capital or repayment of interest-bearing debts	14 January 2020	14 January 2023	3 years	3.75%
Non-public issuance of 2020 corporate bonds (Tranche 1) (Type 1)	32	Repayment of debt financing instruments due or sold back by investors	17 February 2020	17 February 2022	2 years	3.15%
Non-public issuance of 2020 corporate bonds (Tranche 1) (Type 2)	18	Repayment of debt financing instruments due or sold back by investors	17 February 2020	17 February 2023	3 years	3.25%
Non-public issuance of 2020 corporate bonds (Tranche 2) (Type 1)	40	Repayment of debt financing instruments due or sold back by investors	11 March 2020	11 March 2022	2 years	2.88%
Non-public issuance of 2020 corporate bonds (Tranche 2) (Type 2)	10	Repayment of debt financing instruments due or sold back by investors	11 March 2020	11 March 2023	3 years	3.03%

2. Short-term commercial paper issue after the Reporting Period

As of 27 March 2020, the newly issued short-term commercial paper of the Company for the year of 2020 is detailed as follows:

Name	Issue size (RMB100 million)	Use of funds	Value date	Maturity	Period	Interest rate
2020 first tranche of short-term commercial paper	20	Replenish of working capital of the Company	15 January 2020	15 April 2020	91 days	2.75%
2020 second tranche of short-term commercial paper	30	Replenish of working capital of the Company	24 February 2020	25 May 2020	91 days	2.50%
2020 third tranche of short-term commercial paper	40	Replenish of working capital of the Company	23 March 2020	22 June 2020	91 days	1.89%

SECTION V DIRECTORS' REPORT

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

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

V. LIST OF DIRECTORS

For the list of Directors during the Reporting Period and as of the date of this report, please refer to "Section VIII. Directors, Supervisors, Senior Management and Staff" in this report.

VI. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

None of the Directors and Supervisors has entered into a service contract with the Company or any of its subsidiaries which cannot be terminated within one year without compensation (other than statutory compensation).

All Directors have entered into a letter of appointment with the Company. The term of each Director is until the expiry date of the term of office of the third session of the Board. Each Director is eligible for re-election upon the expiration of the term.

Independent Directors are also subject to the requirements regarding term of office of independent Director under the PRC laws and regulations, as well as the Articles of Association.

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

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

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

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

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

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

SECTION V DIRECTORS' REPORT

X. INTERESTS AND SHORT POSITIONS HELD BY DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES IN THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the End of the Reporting Period, based on the information available to the Company and so far as the Directors are aware, none of the Directors, Supervisors and chief executives of the Company has interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) (i) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) which are required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or (iii) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

XI. MANAGEMENT CONTRACTS

Except for employment contracts of employees, the Company did not enter into any contracts nor had any existing contracts in respect of all or any significant parts of management and administration of business of the Company during the Reporting Period.

XII. PERMITTED INDEMNITY PROVISION

The Company has purchased and maintained Directors' and senior management's liability insurance throughout the Reporting Period, which provides appropriate protection over certain legal actions brought against its Directors and senior management. Except for this, at no time during the Reporting Period and up to the date of this report, there was or is, any permitted indemnity provision (whether made by the Company or otherwise) being in force beneficial to any of the Directors or director of an associated company.

XIII. EQUITY-LINKED AGREEMENT

As at the End of the Reporting Period, the Company had not entered into any equity-linked agreement.

XIV. MAJOR CONTRACTS BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER

For details of the major contracts between the Company and its subsidiaries and the controlling shareholder and its subsidiaries during the Reporting Period, please refer to "Section VI Other Significant Events – IV. Material Connected Transactions" in this report.

XV. OTHER DISCLOSURES

(i) Pre-emptive rights

The Company currently has no arrangements in respect of pre-emptive rights according to the provisions of PRC laws and the Articles of Association.

(ii) Sufficient public float

As at the latest practicable date (i.e. 27 March 2020) prior to the printing of this report and based on the information available to the Company and to the knowledge of the Directors, the Company has a public float of H Shares which satisfies the relevant requirements of the Stock Exchange Listing Rules.

SECTION V DIRECTORS' REPORT

(iii) Reasons for and impact from changes of accounting policies, accounting estimation or correction of major accounting errors

1. *Implementation of "Accounting Standards for Business Enterprises No. 21 – Leases"*

Pursuant to the requirements of the "Accounting Standards for Business Enterprises No. 21 – Leases" (the "New Lease Standards") issued by the Ministry of Finance, the Company implemented the New Lease Standards since 1 January 2019. 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 transitional requirements of the New Lease Standards, the Company has adopted IFRS 16 since 1 January 2019 and would adopt 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. For details of the effect of the change of new and old standards at the beginning of 2019, please refer to "Section XI Consolidated Financial Statements - 2. Significant Accounting Policies - 2.2 Standard, amendments and interpretation effective in 2019".

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.*

The Company convened the 57th meeting of the third session of the Board on 27 March 2020 and the "Proposal in relation to the Amendments to the Major Accounting Policies and Accounting Estimates of China Galaxy Securities Co., Ltd." was considered and passed at such meeting. Upon agreement, the Company made amendments to the accounting policies and accounting estimates. 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.

SECTION V DIRECTORS' REPORT

(iv) Information on tax relief and exemption

Holders of A Shares

Pursuant to the “Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies” (Cai Shui [2012] No. 85) (《財政部、國家稅務總局、證監會關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) and the “Notice on Issues concerning the Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies” (Cai Shui [2015] No. 101)(《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)), for individual shareholders of the Company with the share holding period (being the period from the date on which the individual shareholder acquires the shares of a listed company from public offering of the company or from the stock market to the date preceding the date on which such individual shareholder disposes of such shares) of one month or less (one month inclusive), the incomes from dividends and bonuses shall be included into the taxable incomes in full amount (i.e., at an effective rate of 20%); if the share holding period is more than one month up to one year (one year inclusive), the incomes from dividends and bonuses shall be included into the taxable incomes at a reduced rate of 50% for the time being (i.e., at an effective rate of 10%), and if the share holding period is more than one year, the incomes from dividends and bonuses shall be temporarily exempt from individual income taxes. When a dividend is paid by a listed company, where the period of individual shareholding is within one year (one year inclusive), the listed companies shall not withhold the individual income tax temporarily. When an individual transfers the shares, the securities registration and clearing company shall calculate the actual taxable amount according to his/her share holding period. Custodian of shares including securities companies will withhold the tax amount from individual accounts and transfer the tax amount to the securities registration and clearing company. The securities registration and clearing company shall transfer the tax amount to the listed companies within 5 working days of the next month, and the listed companies shall declare the tax to the competent tax authorities upon receiving the tax amount within the statutory reporting period in that month. Individual income tax shall be paid for incomes from dividends and bonuses received by securities investment funds from listed companies in accordance with the requirements of the document numbered Cai Shui [2012] No. 85.

For the shareholders of a resident enterprise, the cash dividend income tax shall be paid by the shareholders themselves.

For QFII, according to the “Notice of the State Administration of Taxation on Issues Concerning the Withholding of Enterprise Income Tax on Dividends, Bonuses and Interest Paid to QFII by Chinese Resident Enterprises” (Guo Shui Han [2009] No. 47) (《國家稅務總局關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函[2009]47號)), a listed company shall withhold the enterprise income tax at the rate of 10%. If a preferential tax treaty (arrangement) treatment is applicable to the income of a QFII shareholder from dividends and bonuses, such QFII shareholder may apply for tax refund to the competent taxation authority in accordance with the relevant provisions upon receiving the dividends and bonuses.

Holders of H Shares

Pursuant to the "Notice of the State Administration of Taxation on Issues Concerning the Levy of Individual Income Tax Following the Abolishment of the Document Numbered Guo Shui Fa [1993] No. 045" (Guo Shui Han [2011] No. 348)(《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the dividend received by overseas resident individual shareholders from the issuance of shares in Hong Kong by domestic non-foreign invested enterprises is subject to the payment of individual income tax according to the items of "interests, dividend and bonus income", which shall be withheld by the withholding agents according to relevant laws. The overseas resident individual shareholders who hold the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they reside and China, and the tax arrangements between Mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax agreements and tax arrangements is generally 10%, and for the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividends, generally withhold individual income tax at the rate of 10%, and are not obligated to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for citizens from countries which have entered into tax agreements/arrangements stipulating a tax rate of lower than 10%, the withholding agents will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the competent tax authorities, the excess tax amounts withheld will be refunded; (2) for citizens from countries which have entered into tax agreements/arrangements stipulating a tax rate of higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividends, and are not obligated to file an application; and (3) for citizens from countries without tax agreements or under other situations, the withholding agents will withhold the individual income tax at a tax rate of 20% when distributing dividends.

Pursuant to the "Notice of the State Administration of Taxation on Issues Concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H Shareholders which are Overseas Non-resident Enterprises" (Guo Shui Han [2008] No. 897) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), a PRC resident enterprise shall, when distributing dividends for 2008 and for the years afterwards to H shareholders who are overseas non-resident enterprises, withhold the enterprise income tax at a flat rate of 10%.

According to the current practice of the Hong Kong Inland Revenue Department, no taxation is required to be paid on dividends paid by the Company in Hong Kong.

(v) Reserves and distributable profit reserves

For the movement of reserves and distributable profit reserves, please refer to the Financial Statements of this report and their accompanying notes.

(vi) Major clients and suppliers

The Company provides services for various types of institutional and individual clients in many industries. The customers of the Company include multinational corporations, medium and small-sized enterprises, high-net-worth clients and retail clients. Major clients are located in the PRC. The Company expects to serve more overseas clients as it expands to overseas markets. In 2019, the revenue derived from the top five clients of the Company accounted for 1.50% of its revenue and other income.

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

SECTION V DIRECTORS' REPORT

(vii) Property and equipment

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

(viii) Active performance of social responsibilities

During the Reporting Period, the Company adhered to the business idea of complying with laws and regulations, effectively boosted the construction of enterprise culture effectively, actively undertaken its responsibilities towards the state, employees, clients and other stakeholders, while conscientiously safeguarding the rights and interests of shareholders so as to promote the coordinated and sustainable development of the Company and the society. The company attaches great importance to poverty alleviation. In 2019, the Company invested approximately RMB65 million in its poverty alleviation fund to help the poor households based on the advantages and actual needs of the local resource by taking into consideration the characteristics and strengths of financial enterprises, and continuously reinforced the leadership and protection of the local organizations, increasingly contributing to poverty alleviation.

1. *The Company actively promotes environmental protection concept and cultivates ecological civilization*

The Company actively responds to the call on green development, low carbon and energy saving. The Company strictly abides by the Environmental Protection Law, the Energy Conservation Law and other laws and regulations of the country. It actively advocates the environmental protection idea in emissions, resources consumption and green travel and puts them into action. It always implements green operation in the whole process of the operation and management of the Company. The Company focuses on the development of green finance. It optimizes social resources allocation through financial means to help enterprises reduce capacities and transform towards the direction of sustainable development and facilitate the development of green industries. The Company had no significant environmental protection problems and recorded no environmental lawsuits, significant punishment or non-economic punishment in connection with environmental problems in 2019.

The Company is a financial enterprise focusing on business office affairs and with low energy consumption and light pollution. The routine resources consumption mainly includes office power, gasoline for official business vehicles, tap water and office paper. Major emissions are carbon emission from energy consumption, domestic sewage, office and domestic garbage from routine office and other harmless wastes. In terms of standardizing green operation, the Company encourages clients to conduct off-site accounts opening and trading, upgrades the corporate portals, optimizes the back-office system and simplifies processes to reduce the printing volume. The Company has more refined and personalized management of office supplies procurement and encourages employees to reuse paper and stationery, continue to strengthen the management and use of old electronic equipment. It continues to use environmentally-friendly sanitary ware to save fresh water and reduce sewage discharge, so as to improve the efficiency of water use and minimize water consumption. It also advocates energy conservation and deploys specific persons for checking whether the office equipment power is used and switched off properly. As for deepening the reform of business vehicles use, the Company did not acquire new business vehicles in 2019 and continued to conduct refined management of the existing business vehicles.

SECTION V DIRECTORS' REPORT

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

- (1) In terms of employment, the Company adheres to the principles of open recruitment, fair competition, overall appraisal and recruitment of outstanding candidates. The staff employed will sign the Employment Contract with the Company strictly in compliance with the Labour Contract Law. It sets clear responsibilities and obligations between the Company and its staff and completely eradicates child labours and forced labours. Pursuant to the principles of “appropriate personnels, appropriate positions and reasonable allocation”, the Company accepted 2 demobilized army cadres, recruited 72 fresh graduates into the Company and attracted 159 outstanding talents necessary for business development through social recruitment in 2019.
- (2) The Company sticks to putting people first, cares about the health and safety of its staff, optimizes the staff training system and safeguards their legitimate interests, creating conditions for individual growth of its staff. The Company's labour union focuses on the development of the Company and considers the willingness and demands of employees as the ultimate work objective. It cares about the difficulties of employees in life and pays attention to the exchange of ideas and communications with them. The Company establishes an employee representative meeting and employees actively participate in company management through the employee representative meeting to conduct employees autonomy, safeguard their own legitimate rights and promote the improvement of the democratic management system of the Company. The Company also cares about the safety and mental health of employees in working and guarantees that employees can enjoy working with physical and mental pleasure.
- (3) The Company strictly abides by national laws and regulations on personnel and strives to improve relevant systems on human resources. In 2019, the Company successively revised and formulated the Measures for Management of Staff Recruitment and the Measures for Management of Duties and Positions, and combined these measures with the Measures for Implementation of Remuneration Allocation and the Measures for Management of Employee Benefits, so as to ensure the employees' legitimate rights and interests and protect their career development.

3. *The Company strives to improve customer services*

In 2019, the Company continued to establish the “customer-centered” wealth management business system and the “enterprise-centered” investment and financing business system. With the spirit of “clients always come first” and providing high-quality products, the Company intensified financial services by refining product categories, enhancing customer experience and responding to customer feedback.

- (1) The Company participated in establishing the first standards of Elements of Asset Management Product Introduction and preparing the standards of Asset Management Plans and Related Products Offered by Securities and Futures Operators. Such standards enables investors to fully understand the type of products before making their investment decisions and expands investment channels in an orderly way, which marks the importance of protecting the interests of small and medium investors.
- (2) The Company upgraded the retail customer comprehensive service platform, enriched the retail customer labeling system and formed a label matrix of 5 major categories and 15 small categories. A total of 317 customer labels were realized, which gradually realized accurate customer portraits. The Company can provide accurate, proactive and immediate services based on customer profiling.

SECTION V DIRECTORS' REPORT

- (3) The Company sets up a leading group and working group for handling customer complaints to coordinate and manage complaints from brokers business clients. The related departments carry out division of responsibilities. The Company also actively assumes the primary responsibility of mediating and dealing with conflicts and disputes for investors to properly deal with the special compensation work for investors. In 2019, the Company properly handled various major, complicated and special complaints and no customer complaints were escalated due to improper handling. In addition, the satisfaction feedback of new clients reached 98.65% in 2019.
 - (4) The Company caters for customer needs, providing customers with various trading tools. Customers can complete a transaction through Internet, mobile terminals (including mobile phones, tablets, etc.), telephone, counter and outlets trading terminals and other means. Currently, the Company is committed to improving customer experience continuously, diversifying products suitable for internet marketing, and providing the comprehensive financial services with characteristics of the Company and meeting individualized needs through the innovation in products, channels, services and marketing and the application of the Internet operating service concept.
 - (5) The Company actively responds to the state's social responsibility requirements for financial institutions, which directs the Company for transformation and development so as to effectively playing its role as a modern investment bank. Taking "serving real economies" as its starting points and ultimate goal, the Company identifies the actual financial needs from serving real economies in order to continuously improve its ability and level of serving real economies and extend its comprehensive financial services capabilities at home and abroad.
4. *The Company insists on compliance operation according to law and being responsible for the market, customers and shareholders*

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

- (1) Enhancing communications between the Company and investors. In 2019, the Company further refined and improved the management on investor relations and strived to improve the smooth information communication channels between the Company and investors through one-to-one onsite communication, telephone, email, Internet Q&A and other forms, so as to transmit the voice of the Company to the market and investors in a right way and open channels for investors to learn about the Company.
- (2) Compliance procurement. In accordance with the requirements of the Interim Provisions on the Centralized Procurement Management of State-owned Financial Enterprises, the Company established a procurement management committee in 2019 to be responsible for the Company's procurement decisions. Meanwhile, the Company revised the Company Procurement Management System and issued the Centralized Procurement Catalogue and Standards. The Company's procurement management has achieved a good balance between quality and efficiency, which is conducive to preventing procurement risks.
- (3) Ensuring safe system operations. The Company has implemented a safe and efficient technical structure with "three centres in two regions" and established a two-level redundant network structure covering three centres in two regions and all branches. It has also established the concentrated trading centre and the data centre on the basis to ensure the safety of trading channels and environments. The Company increased inputs and conducted the construction of firewalls, anti-virus, safety certification, penetration testing and other infrastructure on information safety, thus carrying out a risk assessment on the information system. It strengthened the safety protection against computer virus and online attacks to ensure the overall safety of the information system through various defenses.

SECTION V DIRECTORS' REPORT

- (4) The Company actively carries out its social responsibilities of respecting and protecting rights and interests of investors and regards investor protection as an important task for promoting the healthy development of the market. In 2019, the Company pragmatically promotes the protection of investors by improving the management of investors on appropriateness, increasing the efforts to crack down illegal fund-raising, preventing illegal securities activities, strengthening the education of small and medium-sized investors and other practical and effective measures.
- (5) Legal compliance operation. Pursuant to the principles of “full coverage, unified management and classified policies”, the Company clarifies the overall framework and specific arrangement of its compliance management. The Company also continues to improve a multi-layered compliance management system with the Board of Directors and its Compliance and Risk Management Committee, the Supervisory Committee, senior management, compliance officer, the Legal Compliance Department, responsible persons and compliance management of subordinated units (referring to all departments, branches and subsidiaries) and all working staff. The Company establishes a compliance monitoring system to perform the functions of monitoring and reporting the abnormal transaction behaviors of customers, management of key accounts in stock exchanges, management of information isolation walls, monitoring employees' behaviors, classification of clients' risk level and supervising and analyzing suspicious transactions, so as to effectively strengthen the compliance operation and prevent fraudulent transactions. In 2019, the Company had no lawsuit on insider trading nor market manipulation nor money-laundering transactions escalating to the level of legal action.
- (6) Overall risk management. The Company has been adhered to the idea that risk management creates value. The Company actively creates a risk control culture with the principles of “never touching the red line, never stepping on the gray zone, never playing edge ball” as foundation, the proficiency in business as the premises, the professional code of conduct as the basis, the regulatory requirements as the standard, and the sense of development as the purpose, so as to uphold the concept of “compliance operation and steady development”, implements a prudent risk preference and firmly strives for no occurrence of systematic risks. It gradually promotes the overall risk management from the aspects of full coverage, monitorability, measurability, analysis and risk-response ability to continuously improve the risk management level of the Company. The risks from the operating activities of the Company mainly include market risks, credit risks, operation risks, liquidity risks, compliance risks, money laundering risks and reputation risks. With the goal of maximizing risk return, the Company has taken effective measures and actively responded to the risks, and has made them measurable, controllable and tolerable as a whole.
- (7) Anti-corruption. The Company upholds and gives emphasis on the education theme of “not forgetting the original intention, keeping in mind the mission” and conducts precise supervision over its business development in a high-quality way. It further optimizes the supervisory system, makes good use of the manpower and promotes information sharing between different departments so as to form a cooperative supervising force. The Company sets itself against embezzlement, bribery and corruption incidents. It improves anti-embezzlement, anti-bribery and anti-corruption work through early prevention, process monitoring and post review and rectification. There was no lawsuit against fraud and bribery laws in 2019.

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

27 March 2020

SECTION VI OTHER SIGNIFICANT EVENTS

I. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Company had no material litigation or arbitration involving an amount of over RMB10 million and representing over 10% of the absolute value of the latest audited net assets of the Company.

From the beginning of the Reporting Period to the date of disclosure of this report, details of the Company's new litigations or arbitrations or those having new progress are as follows:

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

In April 2013, Sichuan Trust Co., Ltd. ("Sichuan Trust") established a collective trust scheme and entered into the Jixing No. 9 Directed Asset Management Contract (吉星9號定向資產管理合同) with the Company, pursuant to which the Company was entrusted to provide a loan of RMB160 million to Weihai Zhongtian Real Estate Co., Ltd. ("Weihai Zhongtian") by way of investment entrusted loan and Sichuan Trust undertook to assume the risks arising from such investment. As Weihai Zhongtian failed to settle the principal and interest as agreed in the contract, on 29 December 2015, Sichuan Trust initiated a litigation against Weihai Zhongtian before the Higher People's Court of Shandong Province, applying for ordering Weihai Zhongtian to repay the principal of and interest on the loan and pay relevant penalty and compound interest, totalling approximately RMB219 million, and suing the parties involved in the entrusted loan, either asking them to undertake guarantee liability or seek to hold them jointly and severally liable for making compensation. The Company and Galaxy Jinhui, as the managers of the directed asset management scheme, were listed as the 7th and 8th defendants (For the relevant background, please refer to the 2016 annual report of the Company), respectively. Defendants, including Galaxy Jinhui, made an objection against jurisdiction. On 10 August 2018, the Supreme People's Court made a civil ruling and transferred the case to Shenzhen Intermediate People's Court, Guangdong Province, for trial. On 23 December and 24 December 2019, Shenzhen Intermediate People's Court, Guangdong Province, successively made civil rulings, allowing Sichuan Trust to withdraw the lawsuit.

On 30 December 2015, Shenzhen Bangxin Small Loan Co., Ltd. (深圳市邦信小額貸款有限公司) (hereinafter "Bangxin Small Loan"), the subscriber for second class trust units of the above collective trust scheme as established by Sichuan Trust, initiated a litigation before Shenzhen Intermediate People's Court, Guangdong Province, applying for ordering Sichuan Trust to perform the commitment of trust asset allocation and compensate for loss within a limited period, and also applying for listing Galaxy Jinhui, the Company and the lending bank as the third party of the case, while Sichuan Trust applied for listing the subscriber for senior class trust units of the collective trust scheme as the third party of the case. On 30 March 2018, Shenzhen Intermediate People's Court, Guangdong Province, handed down its first-instance judgment and rejected all petitions of Bangxin Small Loan. On 27 July 2018, Bangxin Small Loan made an appeal to the Higher People's Court of Guangdong Province. On 5 December 2019, the Higher People's Court of Guangdong Province made a judgment, which dismissed the appeal and upheld the original judgment.

SECTION VI OTHER SIGNIFICANT EVENTS

(2) Arbitration filed by Taiping Fund Management Co., Ltd. (太平基金管理有限公司)

On 19 January 2018, Taiping Fund Management Co., Ltd. (太平基金管理有限公司) filed an arbitration with Shanghai International Economic and Trade Arbitration Commission and identified the Company as the counterparty. It requested the Company to repay the facility amount with a total of RMB144,670,000 under four agreed repurchase transactions and the financing interest with a total of RMB398,337.86 and calculated the compensatory and penalty interest on a daily basis from the maturity and settlement date of the four repurchase transactions. It was found out that the counterparty conducting the bond pledge agreed repurchase transactions with Taiping Fund Management Co., Ltd. is a targeted asset management product of Galaxy Jinhui, being “Galaxy Huida Yihe Targeted Asset Management Plan No. 109 (銀河匯達易禾109號定向資產管理計劃)”. The product is a brokerage client of the Company and the Company provides it with trading orders application services. Taiping Fund Management Co., Ltd. filed the arbitration as it failed to reach an agreement with the principal of the product on the disposal plan on the breach of contract. Currently, the arbitration is still ongoing.

(3) Arbitration filed by AXA SPDB Investment Managers Co., Ltd. (浦銀安盛基金管理有限公司)

On 16 May 2018, AXA SPDB Investment Managers Co., Ltd. (浦銀安盛基金管理有限公司) (“AXA SPDB”) filed an arbitration with Shanghai International Economic and Trade Arbitration Commission and identified the Company as the counterparty. It requested the Company to repay the facility amount with a total of RMB42,750,000 under the bond pledge agreed repurchase transactions and the financing interest with a total of RMB85,265.75 and calculated the compensatory and penalty interest on a daily basis from the maturity and settlement date of the repurchase transactions. It was found out that the counterparty conducting the bond pledge agreed repurchase transactions with AXA SPDB is the same as the one conducting the bond pledge agreed repurchase transactions with Taiping Fund Management Co., Ltd., being “Galaxy Huida Yihe Targeted Asset Management Plan No. 109 (銀河匯達易禾109號定向資產管理計劃)”, a targeted asset management product of Galaxy Jinhui. The product is a brokerage client of the Company and the Company provides it with trading orders application services. Currently, the arbitration is still ongoing.

(4) Dispute in relation to Stock Pledge Repurchase Transactions between the Company and Changchun Xiangsheng Investment Management Co., Ltd. (長春市祥升投資管理有限公司)

In August 2017, the Company entered into an agreement with Changchun Xiangsheng Investment Management Co., Ltd. (長春市祥升投資管理有限公司, hereinafter “Xiangsheng Investment” or the “Respondent”), pursuant to which the Company, as the fund provider, and Xiangsheng Investment, as the fund receiver, conducted the stock pledge repurchase transactions, and the target stock was Changsheng Bio-Technology (長生生物, stock code: 002680). Xiangsheng Investment issued a “Commitment Letter” to the Company, in which Xiangsheng Investment has undertaken that if it breaches the relevant requirements, the Company shall have the right to request Xiangsheng Investment to repurchase all the pledged stocks in advance or to assume the liabilities for its breaches according to the requirements of the agreement. As Xiangsheng Investment failed to fulfill its obligations as agreed, the Company initiated the arbitration against Xiangsheng Investment.

SECTION VI OTHER SIGNIFICANT EVENTS

On 24 June 2019, Beijing Arbitration Commission made an award on the arbitration case ((2019) Jing Zhong Cai Zi No. 1079). The award was as follows: (i) Xiangsheng Investment shall pay the repurchase transaction amount as of 30 April 2019 of RMB45,605,484.34 to the Company and shall pay the interests calculated at an annual rate of 5.7% based on the amount of RMB45,182,133.93 for the period from 1 May 2019 to the date of full settlement of the repurchase transaction amount by Xiangsheng Investment to the Company; (ii) Xiangsheng Investment shall pay the liquidated damages as of 30 April 2019 of RMB1,272,838.82 to the Company and shall pay the liquidated damages calculated at a rate of 0.05% per day based on the amount of RMB45,182,133.93 for the period from 1 May 2019 to the date of full settlement of the repurchase transaction amount by Xiangsheng Investment to the Company; (iii) the Company shall have the priority to be repaid from Xiangsheng Investment's proceeds from the discount of the price of the 9,748,658 shares of ST Changsheng Bio-Technology (stock code: 002680) pledged to the Company, or auction or sale of such pledged shares within the scope of the aforesaid award (i) and (ii); (iv) Xiangsheng Investment shall pay the legal expenses of RMB100,000 to the Company; (v) the commission rejected other arbitration requests of the Company; and (vi) the arbitration costs of this case amounting to RMB306,288.59 shall be fully undertaken by Xiangsheng Investment.

As Xiangsheng Investment failed to perform its repayment obligation within the period specified in the award, the Company applied to the People's Court for enforcement.

On 2 April 2019, the Company separately filed a suit against the guarantor of Xiangsheng Investment before Beijing Second Intermediate People's Court.

On 27 August 2019, Beijing Second Intermediate People's Court made a judgment ((2019) Jing 02 Min Chu No. 281), which ordered that Zhang Wen and Changchun Baisheng Tianqi Trading Co., Ltd. (長春百盛天啟經貿有限公司) shall assume the joint and several repayment obligation in relation to the debts determined in items (i) and (ii) of the arbitral award ((2019) Jing Zhong Cai Zi No. 1079) within 10 days upon the effectiveness of the award; and that other litigation claims of the Company shall be rejected. The Company has submitted the enforcement application to the Beijing Second Intermediate People's Court on 6 November 2019.

(5) The securities margin trading dispute case between the Company and Ge Hongtao

Ge Hongtao conducted securities margin trading through the relevant services provided by the Company. Since Ge Hongtao's credit account maintenance guarantee ratio was less than 130%, and the collateral was not added in full within the agreed time limit, the Company imposed a forced liquidation measure on Ge Hongtao's credit account in accordance with the relevant requirements of the "Securities Margin Trading Contract" signed by both parties. For the financing liabilities that were not repaid after the liquidation, the Company filed a lawsuit with the court, requesting the court to order Ge Hongtao to repay the financing principal, and to pay the financing interest and penalty interest (calculated up to 22 January 2019), and to bear the case acceptance fee of RMB51,210,928.05 in total. The Company received the "Civil Judgment" ((2019) Jing 0102 Min Chu No. 5624) made by Beijing Xicheng District People's Court. Ge Hongtao was ruled to do the following within 10 days from the effective date of judgment: (i) to repay the principal amount of financing of RMB38,572,745.03 to the Company; (ii) to pay the financing interest of RMB10,969,171.64 to the Company; (iii) to pay the penalty interest as of 22 January 2019 amounted to RMB1,668,465.38 and the penalty interest from 23 January 2019 to the date of full settlement by Ge Hongtao (at a rate of 0.05% per day based on the sum of the outstanding principal and interests) to the Company; (iv) to pay the attorney fees of RMB80,000 to the Company; and (v) to pay the litigation insurance fee of RMB50,000. Ge Hongtao shall pay double liabilities interest for the period of delayed performance of obligations if he failed to fulfill his payment obligation within the prescribed period in the judgement. The case acceptance fee of RMB298,546 and the application fee for property preservation of RMB5,000 were borne by Ge Hongtao.

SECTION VI OTHER SIGNIFICANT EVENTS

(6) The securities margin trading dispute case between the Company and Xu Guodong

Xu Guodong conducted securities margin trading through the relevant services provided by the Company. Since Xu Guodong's credit account maintenance guarantee ratio was less than 130%, and the collateral was not added in full within the agreed time limit, the Company imposed a forced liquidation measure on Xu Guodong's credit account in accordance with the relevant requirements of the "Securities Margin Trading Contract" signed by both parties. For the financing liabilities that were not repaid after the liquidation, the Company filed a lawsuit with the court, requesting the court to order Xu Guodong to repay the financing principal, and to pay the financing interest and penalty interest (amounting to RMB65,458,830.17 in total as at 9 January 2019), and to bear the case acceptance fee.

The Company received the "Civil Judgment" ((2019) Jing 02 Min Chu No. 97) made by Beijing Second Intermediate People's Court. Xu Guodong was ruled: (i) to repay the principal amount of financing of RMB50,544,883.56 to the Company within 10 days from the effective date of judgment; (ii) to pay the financing interest of RMB14,455,961.37 to the Company within 10 days from the effective date of judgment; (iii) to pay the penalty interest (at a rate of 0.05% per day based on the sum of the amount determined in the above rulings (i) and (ii) for the period from 16 January 2019 to the date of full settlement by Xu Guodong) to the Company within 10 days from the effective date of judgment. The case acceptance fee of RMB369,094 and the application fee for property preservation of RMB5,000 were borne by Xu Guodong.

As Xu Guodong failed to perform his repayment obligation within the period specified in the "Civil Judgment" ((2019) Jing 02 Min Chu No. 97), the Company applied to Beijing Second Intermediate People's Court for enforcement of the "Civil Judgment". In late 2019, Beijing Second Intermediate People's Court issued the "Enforcement Judgment" ((2019) Jing 02 Zhi No. 1358-1), which ordered the termination of the enforcement process, as Xu Guodong, being the person subject to enforcement, had no properties (other than the preserved securities account assets) for enforcement.

(7) Dispute between the Nanjing Shanghai Road Securities Branch of the Company and Shenzhen Bismarck Capital Management Co., Ltd. (深圳俾斯麥資本管理有限公司) over bond pledge repurchase transactions

Due to the dispute over bond pledge repurchase transactions, the Nanjing Shanghai Road Securities Branch of the Company filed a lawsuit to the court against four defendants including Shenzhen Bismarck Capital Management Co., Ltd., requesting the court to order that Shenzhen Bismarck Capital Management Co., Ltd. shall repay the advancement made and the loss of capital cost suffered by the plaintiff of approximately RMB240,898,800 in total (calculated up to 22 April 2019), that three other defendants connected to "Bismarck No. 7 Private Equity Fund" shall be jointly and severally liable, and that the litigation cost of the case shall be jointly borne by the four defendants.

As the plaintiff and the defendants reached an out-of-court settlement on the matters of settlement of advance payment, the Nanjing Shanghai Road Securities Branch of the Company submitted an application to the Nanjing Intermediate People's Court for withdrawing the case on 15 July 2019, and the Nanjing Intermediate People's Court approved the withdrawal of the case by the Nanjing Shanghai Road Securities Branch of the Company.

SECTION VI OTHER SIGNIFICANT EVENTS

(8) The securities margin trading dispute case between the Company and Sun Taoyong

Mr. Sun Taoyong (the “First Defendant”) conducted securities margin trading through the relevant services provided by the Company. Shanghai Meng Ju Investment Management Center (LLP) (上海盟聚投資管理中心(有限合夥)) (the “Second Defendant”) and Shanghai Meng Shang Investment Management Center (LLP) (上海盟商投資管理中心(有限合夥)) (the “Third Defendant”) voluntarily provided an unlimited joint and several liability guarantee to the Company for all debts of the First Defendant under the “Securities Margin Trading Contract”. Since the First Defendant’s credit account maintenance guarantee ratio was less than 150%, and the collateral was not added in full within the agreed time limit, the Company imposed a forced liquidation measure on the First Defendant’s credit accounts in accordance with the relevant requirements of the “Securities Margin Trading Contract” and its supplemental agreement signed by both parties. For the financing liabilities that were not repaid after the liquidation, the Company filed a lawsuit with the court, requesting the court to order the First Defendant to repay the financing principal and to pay the financing interest and penalty interest and to bear the legal costs of the Company, to order the Second Defendant and the Third Defendant to assume the joint and several liabilities for all the debts of the First Defendant, which amounted to RMB64,567,571.53 in total as at 26 March 2019, and to order the First Defendant, the Second Defendant and the Third Defendant to jointly bear the litigation costs, the property preservation fee and the property preservation insurance premium of this case.

On 25 September 2019, Mr. Sun Taoyong initiated a litigation before Beijing Xicheng District People’s Court against Beijing Galaxy World Group Co., Ltd. (北京星河世界集團有限公司), the Company and the Shanghai Pilot Free Trade Zone Jilong Road Securities Branch of the Company, requesting to revoke the “Securities Margin Trading Contract” and its supplementary agreement signed by both parties for the reason that Beijing Galaxy World Group Co., Ltd. and the Shanghai Pilot Free Trade Zone Jilong Road Securities Branch of the Company conspired to defraud. On 6 January 2020, Beijing Xicheng District People’s Court ruled that the case shall be transferred to Beijing Second Intermediate People’s Court for trial.

(9) The case of application for enforcement by the Company against Zhou Weihong, Wang Huifen, Jiangsu Guocheng Equipment Technology Research Institute Co., Ltd. (江蘇國澄裝備技術研究院有限公司), Zhou Chen, Zhou Yanping and Zhou Zheng

Zhou Weihong carried out a stock pledge repurchase transaction with the Company. Wang Huifen, the spouse of Zhou Weihong, acted as the joint debtor. Jiangsu Guocheng Equipment Technology Research Institute Co., Ltd., Zhou Chen, Zhou Yanping and Zhou Zheng entered into a “Guarantee Letter” as guarantors. The relevant notarial certificate and enforcement certificate were issued by Beijing Jingcheng Notary Public Office. As the aforesaid persons subject to enforcement failed to perform the obligation of repayment as evidenced in the notarial debt documents, the Company submitted an application to Shaoxing Intermediate People’s Court to enforce the notarial debt documents, requesting: (i) to enforce the persons subject to enforcement to pay the principal amount of RMB66,908,800 and the interest accrued from 20 March 2019 (inclusive) up to the date of settlement of all debts (exclusive); (ii) to enforce the persons subject to enforcement to pay the default penalty calculated based on the outstanding principal at a rate of 0.05% per day from the date of default; (iii) to enforce the persons subject to enforcement to pay the notarization fee, execution fee of the case, evaluation fee, auction fee, etc.; and (iv) the Company shall be entitled to the right of preferential repayment with the shares pledged by Zhou Weihong, being a person subject to enforcement, of 37,169,200 shares of restricted shares in Jindun of equivalent value or using the proceeds from auction or sale of the pledged shares within the scope of creditor’s rights as stated in items (i) to (iii).

As the shares of Zhejiang Jindun Fans Holding Co., Ltd. held by Zhou Weihong, being a person subject to enforcement, were subject to trading restrictions and their disposal was difficult, the Company applied for the termination of the enforcement process.

SECTION VI OTHER SIGNIFICANT EVENTS

(10) The case of application for arbitration and enforcement against Yang Zhenhua for stock pledge

Yang Zhenhua entered into an agreement with the Company for him to carry out a stock pledge repurchase transaction with the Company. The Company, Yang Zhenhua and his spouse, Luo Jun, applied to a notary office for the issue of notarial debt documents for some of the transactions.

As Yang Zhenhua and Luo Jun, being the obligors under the notarial debt documents, failed to perform the obligation of repayment, the Company submitted an application to Beijing First Intermediate People's Court to enforce the notarial debt documents, requesting: (i) the respondents to repay the principal amount of RMB141,010,273.50; (ii) the respondents to pay the interest payable from 20 September 2019 (inclusive) up to the date of actual settlement (exclusive); (iii) the respondents to pay the default penalty calculated based on the outstanding principal at a rate of 0.05% per day from the date of default; (iv) the respondents to pay other amounts, the expenses incurred by the creditor to realize its creditor's right and security right and double interest for delayed performance of obligations.

For certain transactions that had not been notarized, Yang Zhenhua failed to make repayment under the relevant stock pledge agreement, and the Company applied to the Beijing Arbitration Commission for arbitration, requesting: (i) the respondent to repay the principal amount of financing of RMB141,518,600.00; (ii) the respondent to pay the interest payable from 20 September 2019 (inclusive) up to the date of actual settlement (exclusive); (iii) the respondent to pay the default penalty calculated based on the outstanding principal at a rate of 0.05% per day from the date of default; (iv) the Company to have the priority right to be repaid from the respondent's proceeds from the discounted pledged shares, auction or sale of the pledged shares within the scope of the aforesaid arbitration claims (i), (ii) and (iii); (v) the respondent to reimburse the Company for the legal costs and travel expenses incurred in the case; (vi) the respondent to bear the arbitration fee of the case.

For the case in which the Company applied to Beijing First Intermediate People's Court for the enforcement of notarial debt documents, as a result of settlement through negotiations and following the application of the Company, Beijing First Intermediate People's Court made an enforcement ruling on 27 December 2019 to terminate the enforcement process. The case in which the Company applied to the Beijing Arbitration Commission for arbitration is still in the process of arbitration.

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

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

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

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

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

SECTION VI OTHER SIGNIFICANT EVENTS

IV. MATERIAL CONNECTED TRANSACTIONS

The major daily connected transactions of the Company are as follows: For related party transactions as defined by the relevant accounting standards during the Reporting Period, please refer to “Related Party Transactions” under Note 54 of Section XI Consolidated Financial Statements for details. Of these related party transactions, the transactions between the Company and Galaxy Financial Holdings and its subsidiaries (Note 54(a)(1)) constituted continuing connected transactions under Chapter 14A of the Stock Exchange Listing Rules (please see below for details).

The Group conducts connected transactions in strict compliance with the Stock Exchange Listing Rules, the “Administrative System for the Disclosure of Corporate Information” and the “Administrative Measures for Connected Transactions” of the Company. The Group’s connected transactions are conducted based on the principles of impartiality, openness and fairness, and the connected transaction agreements are entered into based on the principles of equality, voluntariness, equivalence and compensation. During the Reporting Period, the Group conducted the following non-exempt connected transactions in accordance with the Stock Exchange Listing Rules:

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

On 2 May 2013, the Company entered into the “Securities and Financial Services Framework Agreement” with Galaxy Financial Holdings, pursuant to which the Group shall provide securities and financial services based on normal commercial terms to Galaxy Financial Holdings and its subsidiaries (“Galaxy Financial Holdings Group”), including (1) securities brokerage services, (2) sales agency services, (3) leasing of exchange trading units and (4) other related securities and financial services. The Group shall receive service charges and commissions from Galaxy Financial Holdings Group for the provision of such services and shall pay interest to Galaxy Financial Holdings Group in respect of its funds entrusted to the Group in connection with such services. The service charges and commissions receivable and interests payable by the Group shall be based on negotiation between the parties with reference to the prevailing market rates and shall be in compliance with the applicable laws and regulations. The framework agreement came into force on the H Share Listing Date (being 22 May 2013) for a term of three years. On 29 December 2015, the Company and Galaxy Financial Holdings entered into the “Supplemental Agreement to the Securities and Financial Services Framework Agreement” (“Supplemental Agreement”), whereby the term of the Framework Agreement was extended to 31 December 2018. On 21 December 2018, the Company and Galaxy Financial Holdings entered into the “Second Supplemental Agreement to the Securities and Financial Services Framework Agreement” (“Second Supplemental Agreement”), whereby the term of the Framework Agreement was further extended to 31 December 2021. Galaxy Financial Holdings is the controlling shareholder of the Company and therefore a connected person of the Company. As such, the transaction constitutes a continuing connected transaction of the Company under the Stock Exchange Listing Rules.

SECTION VI OTHER SIGNIFICANT EVENTS

For the three years ending 31 December 2021, the annual caps of the service charges and commissions payable by Galaxy Financial Holdings Group to the Group for the provision of securities and financial services under the framework agreement (as renewed by the Second Supplemental Agreement) will be RMB267 million, RMB320 million and RMB416 million, respectively, and the annual caps of the interest payable by the Group to Galaxy Financial Holdings Group for the entrusted funds will be RMB10 million, RMB15 million and RMB20 million, respectively. As the applicable percentage ratios under the Stock Exchange Listing Rules in respect of the annual caps are more than 0.1% but less than 5%, the transactions are subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under the Stock Exchange Listing Rules.

During the Reporting Period, the income received and expenses paid by the Group in respect of the securities and financial services provided to Galaxy Financial Holdings Group are as follows:

Unit: RMB in thousand

	Annual cap for 2019	Actual transaction amount for 2019
Revenue		
Securities brokerage services		9,352
Sales agency services		26,033
Leasing of exchange trading units		18,042
Other related securities and financial services		2,940
Total	267,000	56,368
Expenses		
Interest expenses		1,270
Total	10,000	1,270

Notes:

1. Income from securities brokerage services is the income received from Galaxy Financial Holdings and Galaxy Capital Assets Management Co., Ltd. ("Galaxy Capital") for securities brokerage business;
2. Income from sales agency services is the income received from Galaxy Fund Management and Galaxy Capital for agency sale of financial products;
3. Income from leasing of exchange trading units is the commission received from the leasing of exchange trading units in respect of the funds managed by Galaxy Fund Management;
4. Income from other related securities and financial services is the targeted asset management income, management fee, performance compensation received, etc. from Galaxy Capital;
5. Interest expense is the interest expense for deposits payable to Galaxy Financial Holdings, Galaxy Fund Management and Galaxy Capital.

SECTION VI OTHER SIGNIFICANT EVENTS

(ii) **Securities and Financial Products Transactions Framework Agreement between the Company and Galaxy Financial Holdings**

On 6 June 2017, the Company entered into the “Securities and Financial Products Transactions Framework Agreement” with Galaxy Financial Holdings, pursuant to which the Group will conduct securities and financial products transactions business with Galaxy Financial Holdings Group in the ordinary course of business on normal commercial terms, which mainly include: (1) securities products with fixed income features, (2) fixed income related derivative products, (3) equity related products, (4) financing transactions, and (5) other related securities and financial products transactions permitted by the regulatory authorities. Securities and financial products transactions (whether in the Chinese interbank bond market, the China exchange market or the open fund market) shall be conducted on normal commercial terms at the prevailing market prices or market rates of similar transactions with independent third parties. The pricings of such transactions are subject to the strict PRC regulatory supervision and the requirements of applicable PRC laws and regulations. The Framework Agreement shall take effect upon obtaining the approvals from the independent shareholders of the Company and the shareholders of Galaxy Financial Holdings (i.e. Huijin and the Ministry of Finance), with effective from 12 July 2017 and shall expire on 31 December 2019. The above transactions constitute continuing connected transactions of the Company under the Stock Exchange Listing Rules.

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

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

SECTION VI OTHER SIGNIFICANT EVENTS

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

Unit: RMB in thousand

Project	Annual cap for 2019	Actual transaction amount for 2019
Total cash inflow of the Group from Galaxy Financial Holdings Group	87,000,000	2,454,047
1. Cash inflow from fixed income securities products		2,454,047
2. Cash inflow from fixed income related derivative products		–
3. Cash inflow from equity related products		–
4. Cash inflow from other related businesses and management transactions		–
Total cash outflow of the Group to Galaxy Financial Holdings Group	79,000,000	2,902,913
1. Cash outflow from fixed income securities products		2,902,913
2. Cash outflow from fixed income related derivative products		–
3. Cash outflow from equity related products		–
4. Cash outflow from other related businesses and management transactions		–
Maximum daily balance (including the interest payable) of the financing provided by Galaxy Financial Holdings Group to the Group through pledge repurchase transactions	10,500,000	–

The “Resolution on the Renewal of the Securities and Financial Products Transactions Framework Agreement between the Company and Galaxy Financial Holdings and Setting of the Cap for Connected Transaction for 2020-2022” was considered and passed at the 55th meeting (extraordinary) of the third session of the Board of the Company. Currently, the resolution on the connected transaction is still subject to the consideration and approval by the board of directors and at the general meeting of Galaxy Financial Holdings. The Company also was unable to sign the Supplemental Agreement (I) to the Securities and Financial Products Transactions Framework Agreement by 31 December 2019. Before the connected transaction is considered and passed at the general meeting of the Company and the supplemental agreement is signed with Galaxy Financial Holdings, any new securities and financial products transaction between the Company and Galaxy Financial Holdings shall be in strict compliance with the relevant requirements of the Stock Exchange Listing Rules and the Rules Governing the Listing of Securities on the Shanghai Stock Exchange.

SECTION VI OTHER SIGNIFICANT EVENTS

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

As the Ministry of Finance of the PRC made a capital injection to Galaxy Financial Holdings with its 100% equity interest in Galaxy Investment, Galaxy Investment became a wholly-owned subsidiary of Galaxy Financial Holdings in February 2018. Following the completion of the capital injection, Galaxy Investment became an associate of Galaxy Financial Holdings and therefore a connected person of the Company. Before Galaxy Investment became a connected person of the Company, the Group had entered into seven lease contracts with Galaxy Investment, pursuant to which the Group (as lessee) rented several properties and parking spaces from Galaxy Investment (as lessor). After Galaxy Investment became a connected person of the Company, such continuing transactions constitute continuing connected transactions of the Company under the Stock Exchange Listing Rules. During the Reporting Period, the rent for 2019 under the lease contracts between the Group and Galaxy Investment was RMB137,534,600.

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

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

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

In respect of the disclosed continuing connected transactions:

- a. nothing has come to our attention that causes us to believe that the transactions have not been approved by the Company's Board of Directors.
- b. for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.
- c. nothing has come to our attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- d. with respect to the aggregate amount of the continuing connected transactions, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate value for the entire year of 2019 disclosed in the relevant announcements made by the Company in respect of the disclosed continuing connected transactions.

SECTION VI OTHER SIGNIFICANT EVENTS

V. CONTRACTS OF SIGNIFICANCE AND THEIR PERFORMANCE

(i) Rental Issue

Lessor	Lessee	Information on rental asset	Amount involved of rental asset (RMB)	Starting date of rental	Ending date of rental	Rental income	Recognition basis of rental income	Impact of rental income on the Company	Connected transaction	Related party relationship
Galaxy Investment	The Group	International Enterprise Building, Financial Street, Beijing	387,999,451.17	1 January 2017	31 December 2019	Not applicable	Property lease contract	Not applicable	Yes	Sister company of the Group
TravelSky Technology Limited	The Group	Plant and office area lease	117,365,396.25	1 April 2019	31 March 2029	Not applicable	Property lease contract	Not applicable	No	Other
China United Network Communications Group Co., Ltd.	The Group	Property	53,763,075.06	1 November 2015	31 October 2020	Not applicable	Property lease contract	Not applicable	No	Other
China Life Real Estate Co., Limited	The Group	Property	54,396,061.80	6 September 2017	5 September 2022	Not applicable	Property lease contract	Not applicable	No	Other
Shanghai Jingang North Bund Real Estate Company Limited	The Group	Property	45,854,785.44	1 June 2019	30 September 2023	Not applicable	Property lease contract	Not applicable	No	Other
Wing On Company Limited (永安有限公司)	The Group	Property	12,209,700.00	1 January 2019	31 December 2019	Not applicable	Property lease contract	Not applicable	No	Other
S.L. Development Pte. Ltd	The Group	Property	82,507,905.98	1 January 2017	31 December 2021	Not applicable	Property lease contract	Not applicable	No	Other

Note:

During the Reporting Period, the Group and Galaxy Investment entered into a property lease contract, under which the rent for 2019 was RMB137,534,600. The Group and TravelSky Technology Limited entered into a co-operation agreement (plant lease), under which the rent for 2019 was RMB10,998,600. The Group and China United Network Communications Group Co., Ltd. entered into a property lease contract, under which the rent for 2019 was RMB10,196,400. The Group and China Life Real Estate Co., Limited entered into a property lease contract, under which the rent for 2019 was RMB10,361,200. The Group and Shanghai Jingang North Bund Real Estate Company Limited entered into a property lease contract, under which the rent for 2019 was RMB6,056,300. The Group and Wing On Company Limited entered into a property lease contract, under which the rent for 2019 was HK\$13,780,600 (equivalent to RMB12,209,700). The Group and S.L. Development Pte. Ltd entered into a property lease contract, under which the rent for 2019 was S\$3,189,400 (equivalent to RMB16,501,600). The above-mentioned contract amounts shall be paid on a quarterly or monthly basis. Save for the above, during the Reporting Period, the Company had not engaged in any material lease (with an amount of over RMB10 million) and no such matters were carried forward to the Reporting Period from the previous period.

SECTION VI OTHER SIGNIFICANT EVENTS

(ii) Guarantees

Unit: Yuan Currency: RMB

External guarantee granted by the Company (excluding the guarantee in favor of subsidiaries)													
Guarantor	Relationship between guarantor and listed company	Guaranteed parties	Guaranteed amount	Date of guarantee (Date of Agreement)	Commence-ment date of guarantee	Expiry date of guarantee	Type of guarantee	Is the guarantee fully fulfilled	Is the guarantee overdue	Amount overdue	Any counter guarantee	Is the guarantee provided to related parties	Related party relationship
Nil													
Total guarantee incurred during the Reporting Period (excluding the guarantee in favor of subsidiaries)													-
Total guarantee balance as at the End of the Reporting Period (A) (excluding the guarantee in favor of subsidiaries)						Guarantee of the Company and its subsidiaries in favor of their subsidiaries							-
Total guarantee in favor of its subsidiaries incurred during the Reporting Period												661,100,400.00	
Total guarantee balance in favor of its subsidiaries as at the End of the Reporting Period (B)						Total guarantee of the Company (including the guarantee in favor of its subsidiaries)						3,661,100,400.00	
Total guarantee (A+B)												3,661,100,400.00	
Total guarantee as a percentage of the Company's net assets (%)												5.09	
Including:													
Guaranteed amount provided to shareholders, actual controller and their related parties (C)													-
Debt guaranteed amount provided directly or indirectly to the guaranteed party with gearing ratio over 70% (D)													-
Total guaranteed amount over 50% of the net asset (E)													-
Total of the above three guarantees (C+D+E)													-
Statement on the possible joint and several liability in connection with unexpired guarantees													Not Applicable
Description of guarantee							(1) In August 2016 and August 2017, the Company provided a net capital guarantee of RMB1 billion and RMB2 billion to Galaxy Jinhui, a subsidiary of the Company, to meet the needs of its business development.						
							(2) As of 31 December 2019, the total amount of guarantee letters signed by Galaxy International Holdings amounted to RMB3.5 billion, and the number of guarantees fulfilled was RMB661 million.						

In addition, the Company has authorised outstanding guarantees and loan guarantee ceilings provided by Galaxy International Holdings to CGS-CIMB Securities as follows:

- (1) On 22 June 2017, the "Proposal for the Increase of Net Capital Guarantee to Galaxy Jinhui" was considered and passed at the 2016 annual general meeting, pursuant to which it was agreed that the Company would provide net capital guarantee to Galaxy Jinhui of RMB3 billion to satisfy its business development requirements. As at 31 December 2019, the guarantee had not been fulfilled.
- (2) On 26 February 2019, the "Proposal for Reviewing the Authorization of Galaxy International Holdings for the Provision of Bank Loan Guarantee to CGS-CIMB Securities" was considered and approved at the 48th meeting (extraordinary) of the third session of the Board of the Company, pursuant to which it was agreed that Galaxy International Holdings would provide a loan guarantee of not more than RMB3.5 billion to CGS-CIMB Securities in the next three years according to business development needs. As at 31 December 2019, the amount of authorised outstanding guarantees was RMB2.839 billion.

SECTION VI OTHER SIGNIFICANT EVENTS

(iii) Other material contracts

As at the End of the Reporting Period, the Company entered into a data center service contract of RMB10.2933 million with SSE Technology Co., Ltd. (上交所技術有限責任公司) in December 2017 and such contract is still being performed; and the Company entered into a software purchase contract of RMB24.20 million with Beijing Com&Lan System Tech. Corp., Ltd. (北京昆侖聯通科技發展股份有限公司) on 29 September 2017 and such contract was fully performed in 2019. The Company entered into Lenovo products purchase contracts of RMB11.4817 million and RMB11.7278 million with Beijing JYD Technology & Development Co., Ltd. (北京嘉運達科技開發股份有限公司) in March and June 2019, respectively, which were fully performed in 2019. Save for the above, during the Reporting Period, the Company had not engaged in any material purchases (with an amount of over RMB10 million) and no such matters were carried forward to the Reporting Period from the previous period.

VI. OTHER MATERIAL ISSUES

1. Changes in the qualifications of individual businesses during the Reporting Period

- (1) On 28 February 2019, the Institution Department of the CSRC agreed to the Company carrying out interbank market credit risk mitigation instruments, exchange market credit risk mitigation instruments and other credit derivatives sales business as approved by regulators ("Letter of Regulatory Opinions on the Application from Galaxy Securities for Credit Derivatives Business") (CSRC Institution Department Letter [2019] No. 472).
- (2) On 6 May 2019, the Institution Department of the CSRC agreed to the Company carrying out national debts and futures market making business ("Reply Letter on the Opinions on China Galaxy Securities Co., Ltd. Carrying out National Debts and Futures Market Making Business") (Institution Department Letter [2019] No. 2021).
- (3) On 6 December 2019, the Shenzhen Stock Exchange agreed to grant the Company the qualification for stock options business trading right ("Circular on Agreeing to Grant AJ Securities and Other Options Operation Institutions Stock Options Business Trading Right") (Shen Zheng Hui [2019] No. 470).

2. Acquisition, merger or division during the Reporting Period

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

- (1) On the basis of the previous investment in CGS-CIMB Securities, in order to facilitate the further enhancement of the control over CGS-CIMB Securities by Galaxy International Holdings and achieve a better promotion of the inter-group international business development and improvement on business synergy, Galaxy International Holdings is entitled to appoint and dismiss the chief executive officer, chief financial officer and chief operating officer of CGS-CIMB Securities and CIMB Group is entitled to nominate the above personnel from 1 April 2019 according to the cooperation consenses reached between Galaxy International Holdings and CIMB Group.
- (2) According to the previous arrangements for a series of relevant transactions between Galaxy International Holdings and CIMB Group in Malaysia, Galaxy International Holdings paid RM629 million on 28 June 2019 and completed the transfer of 50% equity interest in CGS-CIMB Holdings Sdn. Bhd. of Malaysia with CIMB Group. Upon completion of the transaction, Galaxy International Holdings and CIMB Group hold 50% of shares in CGS-CIMB Holdings Sdn. Bhd. of Malaysia, respectively, and the Malaysian business was renamed as "CGS-CIMB Securities" on 1 July 2019. On the same day, each of CIMB Group and Galaxy International Holdings contributed RM122.5 million to CGS-CIMB Securities, according to the operational plan, as its additional capital contribution as a shareholder.

SECTION VI OTHER SIGNIFICANT EVENTS

3. Capital increase to subsidiaries

- (1) On 26 February 2019, the “Proposal on Considering the Capital Increase of Galaxy Yuanhui Investment Co., Ltd.” was considered and passed at the 48th meeting of the third session of the Board of the Company, approving that the registered capital of Galaxy Yuanhui would be increased from RMB1.5 billion to RMB3 billion according to the Company’s five-year development strategy plan as well as business development needs. On 22 March 2019, the Company completed the above capital increase.
- (2) On 26 February 2019, the “Proposal on Considering the Capital Increase of Galaxy Capital Management Company Limited” was also considered and passed at the 48th meeting of the third session of the Board of the Company, approving that the registered capital of Galaxy Capital would be increased from RMB1 billion to RMB1.5 billion according to business development needs of the Company. As at the date of this report, the capital increase was still in progress.

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

(1) *Dongguan Dongcheng Central Road Securities Branch of the Company received a warning letter*

On 22 March 2019, Dongguan Dongcheng Central Road Securities Branch of the Company received the “Decision on Issuing a Warning Letter to Dongguan Dongcheng Central Road Securities Branch of China Galaxy Securities Co., Ltd.” ([2019] No. 19) issued by the CSRC Guangdong Bureau. As the employees of the securities branch personally introduced private equity fund purchasers for private equity fund management companies, personally promoted financial products that were not sold by the Company and guaranteed the principal and return of the investors, the CSRC Guangdong Bureau issued the warning letter as a regulatory measure and ordered the securities branch to implement accountability, formulate an effective rectification plan and put the rectification measures in place. In response to such regulatory measure, the Company has formulated the relevant plan, punished the relevant responsible persons, and compiled a warning case for internal distribution within the Company to strengthen the regulation of the sales of financial products by branches and customer services.

(2) *Galaxy Futures received disciplinary sanctions of the SSE*

From 7 May 2019 to 10 May 2019, the SSE conducted an on-site inspection on the stock option brokerage business of Galaxy Futures and identified deficiencies in management of spot securities brokerage business, management of investor suitability and management of program trading. On 3 July 2019, Galaxy Futures submitted the written rectification report in accordance with the requirements of the SSE. On 11 September 2019, based on the results of on-site inspection and according to the relevant requirements of the “Trading Rules of Stock Option (《股票期權交易規則》)”, the “Implementation Measures for Disciplinary Sanctions and Regulatory Measures of Shanghai Stock Exchange (《上海證券交易所紀律處分和監管措施實施辦法》)”, the SSE made the “Decision on Disciplinary Sanctions against Galaxy Futures Company Limited” ([2019] No. 74), suspending the trading right of stock option brokerage business (for new clients only) of Galaxy Futures for 3 months, Galaxy Futures therefore should not accept the entrustment from new clients to conduct stock option trading from 12 September 2019 to 11 December 2019. Currently, Galaxy Futures is implementing various rectification measures of the rectification report and steadily advancing different rectification plans in order to fully enhance the compliance level of stock option brokerage business in terms of management of spot securities brokerage business, management of investor suitability and management of program trading and avoid the reoccurrence of similar events. Such matter had no material impact on the normal operation of the Company.

SECTION VI OTHER SIGNIFICANT EVENTS

(3) *Inner Mongolia Branch was punished by the People's Bank of China, Hohhot Central Sub-branch, for money laundering*

From 8 May 2019 to 6 June 2019, the People's Bank of China, Hohhot Central Sub-branch, conducted an anti-money laundering law enforcement inspection on the Inner Mongolia Branch. On 27 December 2019, the Inner Mongolia Branch received a "Administrative Penalty Decision" (Meng Yin Fa Zi [2019] No. 66) issued by the People's Bank of China, Hohhot Central Sub-branch, and was fined RMB400,000. After the inspection, the Inner Mongolia Branch immediately conducted rectification by improving its anti-money laundering organization and internal control system, strengthening money laundering risk assessment, anti-money laundering publicity training and anti-money laundering assessment, reconducting natural person client identification and the identification of beneficial owners of non-natural person clients, and increasing manual verification of suspicious transactions. It had submitted the rectification report to the People's Bank of China, Hohhot Central Sub-branch.

(4) *Inclusion in the share subscription restricted list of the Securities Association of China*

On 5 July 2019, the Securities Association of China issued the "Announcement on the Restricted List of the Target Subscribers of the IPO Shares" (No. 1 of 2019) and decided to include "proprietary account of China Galaxy Securities Co. Ltd.", the target subscriber of shares which breached the requirements of Article 15 and Article 16 of the "Management Rules for the Offline Investors of the IPO Shares of the Science and Technology Innovation Board" in the offline purchasing process of IPO shares of "TZTEK Technology" on the Science and Technology Innovation Board, to the restricted list from 8 July 2019 to 7 January 2020 according to the requirements of the "Management Rules for the Offline Investors of the IPO Shares of the Science and Technology Innovation Board". Such matter had no material impact on the normal operation of the Company.

(5) *Yining Shandong Road Securities Branch was imposed an administrative regulatory measure of rectification order by the CSRC Xinjiang Bureau*

On 22 October 2019, the CSRC Xinjiang Bureau issued the "Decision on Issuing Rectification Order to Yining Shandong Road Securities Branch of China Galaxy Securities Co., Ltd." ([2019] No. 9) to the Yining Shandong Road Securities Branch of the Company. As employees of securities branches without securities investment consulting qualification provided securities investment consulting services to clients, the CSRC Xinjiang Bureau imposed a regulatory measure of rectification order on such securities branch and ordered it to correct the violation. In response to such regulatory measure, the Company has formulated the relevant plan, punished the relevant responsible persons, and compiled a warning case for internal distribution within the Company to strengthen the regulation of the services and practice behaviors of investment advisors.

(6) *Galaxy Futures Company Limited was imposed an administrative regulatory measure of rectification order by the CSRC Beijing Bureau*

On 5 March 2019, Galaxy Futures received the "Decision on Issuing Rectification Order to Galaxy Futures Company Limited" ([2019] No. 15) issued by the CSRC Beijing Bureau. The CSRC Beijing Bureau imposed an administrative regulatory measure of rectification order on Galaxy Futures for the deficiencies in compliance management and internal control of Galaxy Futures. Galaxy Futures attached great importance to the order. Under the supervision of the chief risk officer of Galaxy Futures, relevant departments conducted meetings to discuss and study the rectification plan, and carried out a comprehensive self-inspection to implement the rectification. On 20 March 2019, Galaxy Futures submitted the "Rectification Report on the Decision of the CSRC Beijing Bureau to issue Rectification Order to Galaxy Futures Company Limited" to the CSRC Beijing Bureau.

SECTION VI OTHER SIGNIFICANT EVENTS

VII. IMPORTANT ISSUES AFTER THE PERIOD

(I) Qualification change of the individual business of the Company after the Reporting Period

On 28 February 2020, the CSRC approved the Company to conduct pilot fund investment advisory business (the “Reply on Matters Regarding Conducting Pilot Fund Investment Advisory Business by China Galaxy Securities Co., Ltd.” (Ji Gou Bu Han [2020] No. 389) (《關於中國銀河證券股份有限公司試點開展基金投資顧問業務有關事項的覆函》(機構部函[2020]389號))).

(II) Increase in capital of relevant subsidiary after the Reporting Period

On 12 February 2020, Galaxy International Holdings and CIMB Group each injected capital of S\$15 million (S\$30 million in total) to CGS-CIMB Securities in same proportion. CGS-CIMB Securities issued and placed 15,000,000 new ordinary shares at a subscription price of S\$1.00 per share to Galaxy International Holdings and CIMB Group in same proportion, respectively. After the capital injection, the capital of CGS-CIMB Securities amounted to S\$908 million and the shareholding ratio of both shareholders remains unchanged.

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

Among the classification and appraisal of securities companies by the CSRC, the Company was rated as Level AA, Class A in 2017, Level AA, Class A in 2018 and Level A, Class A in 2019.

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN ORDINARY SHARES

During the Reporting Period, the total number of ordinary shares and share capital structure of the Company had no changes.

II. INFORMATION OF SHAREHOLDERS

(i) Total number of shareholders

Total number of holders of ordinary shares as at the End of the Reporting Period (account)	106,142
Total number of holders of ordinary shares as at the end of the previous month before the date of disclosure of annual report (account)	103,231
Total number of preference shareholders with voting rights restored as at the End of the Reporting Period (account)	0
Total number of preference shareholders with voting rights restored as at the end of the previous month before the date of disclosure of annual report (account)	0

Note: The total number of shareholders include the number of holders of A ordinary shares and registered holders of H Shares. As at the End of the Reporting Period, 105,398 accounts are holders of A Shares and 744 accounts are registered holders of H Shares. As at the end of the previous month before the date of disclosure of annual report, 102,491 accounts are holders of A Shares and 740 accounts are registered holders of H Shares.

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

Unit: Share(s)

Shareholdings of the top 10 shareholders

Name of shareholders (Full name)	Increase or decrease during Reporting Period	Number of Shares held as at the End of Reporting Period	Percentage (%)	Number of Shares subject to trading moratorium held	Pledged or frozen		Nature of shareholders
					Status of shares	Number of shares held	
Galaxy Financial Holdings	0	5,187,196,364	51.17	5,160,610,864	Nil	0	State-owned legal person
HKSCC Nominees Limited	+71,000	3,688,094,096	36.38	0	Nil	0	Overseas legal person
China Securities Finance Corporation Limited	0	84,078,210	0.83	0	Nil	0	State-owned legal person
Account No. 1 of National Council for Social Security Fund	-1,593,891	57,132,376	0.56	57,132,376	Nil	0	State-owned legal person
Bank of Lanzhou Co., Ltd.	-47,444,268	43,070,130	0.42	0	Nil	0	Domestic non-state-owned legal person
Shanghai Rural Commercial Bank Co., Ltd.	-48,028,158	31,000,000	0.31	0	Nil	0	Domestic non-state-owned legal person
Joincare Pharmaceutical Industry Group Co., Ltd.	-3,000,000	25,983,000	0.26	0	Nil	0	Domestic non-state-owned legal person
Hong Kong Securities Clearing Company Limited	+5,107,940	19,325,686	0.19	0	Nil	0	Overseas legal person
Zhongshan Zhonghui Investment Group Company Limited	0	19,241,213	0.19	0	Nil	0	State-owned legal person
China Resources Co., Ltd.	-20,400,000	17,979,809	0.18	0	Nil	0	State-owned legal person

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Notes:

- (1) Galaxy Financial Holdings held 5,160,610,864 A Shares and 26,585,500 H Shares of the Company as at the End of the Reporting Period.
- (2) HKSCC Nominees Limited held the H shares on behalf of a number of customers.
- (3) Hong Kong Securities Clearing Company Limited is a nominal holder of A Shares of the Company held by investors trading under Shanghai-Hong Kong Stock Connect.

Unit: Share(s)

Shareholdings of the top 10 shareholders not subject to trading restriction			
Name of shareholders	Number of shares not subject to trading restriction held	Type and number of shares held	
		Type	Number
HKSCC Nominees Limited	3,688,094,096	H Shares	3,688,094,096
China Securities Finance Corporation Limited	84,078,210	A Shares	84,078,210
Bank of Lanzhou Co., Ltd.	43,070,130	A Shares	43,070,130
Shanghai Rural Commercial Bank Co., Ltd.	31,000,000	A Shares	31,000,000
Joincare Pharmaceutical Industry Group Co., Ltd.	28,983,000	A Shares	28,983,000
Hong Kong Securities Clearing Company Limited	19,325,686	A Shares	19,325,686
Zhongshan Zhonghui Investment Group Company Limited	19,241,213	A Shares	19,241,213
China Resources Co., Ltd.	17,979,809	A Shares	17,979,809
Agricultural Bank of China Limited – Invesco Great Wall CSI 300 Enhanced Index Securities Investment Fund	16,045,685	A Shares	16,045,685
Shenzhen State-Owned Dutyfree Commodity (Group) Co., Ltd.	13,468,849	A Shares	13,468,849
Details of the connected relationship amongst, or concerted actions between, the above shareholders	The Company is not aware of any relationship between among shareholders/ whether such shareholders are parties to any concerted action. Shares held by HKSCC Nominees Limited are H Shares held by agents entrusted by overseas investors and shares held by Hong Kong Securities Clearing Company Limited are A Shares held by overseas investors through northbound trading of Shanghai Connect.		
Preference shareholders with voting rights restored and number of shares held	Nil		

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Unit: Share(s)

Shareholdings of the top 10 shareholders subject to trading moratorium and conditions of trading moratorium					
No.	Name of shareholders subject to trading moratorium	Number of shares held subject to trading moratorium	Listing and trading of shares subject to trading moratorium		
			Date of being permitted for listing and trading	Number of shares to be listed and traded	Conditions of trading moratorium
1	Galaxy Financial Holdings	5,160,610,864	23 January 2020	0	Moratorium of IPO
2	Account No. 1 of National Council for Social Security Fund	57,132,376	23 January 2020	0	Moratorium of IPO
Details of the connected relationship amongst, or concerted actions between, the above shareholders		Nil			

Note: In order to promote the Company's sustainable, stable and healthy development and safeguard the interests of shareholders of the Company based on the confidence in the Company's sustainable and stable development in the future and the recognition of the Company's long-term investment value, on 18 January 2020, Galaxy Financial Holdings committed not to reduce the holding in the above shares within 6 months from the date when the restrictions on the above shares subject to trading moratorium were released.

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

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

Name of substantial shareholders	Class of shares	Nature of interest	Number of shares held (Note 1)	Percentage of the total number of issued shares of the Company (%)	Percentage of the total number of issued	
					A Shares/ H Shares of the Company (%)	Long positions/ short positions/ shares available for lending
Huijin (Note 2)	A Shares	Interests of controlled corporation	5,160,610,864	50.91	80.06	Long position
	H Shares	Interests of controlled corporation	26,585,500	0.26	0.72	Long position
Galaxy Financial Holdings (Note 2)	A Shares	Beneficial owner	5,160,610,864	50.91	80.06	Long position
	H Shares	Beneficial owner	25,927,500	0.25	0.70	Long position
	H Shares	Interests of controlled corporation	658,000	0.01	0.02	Long position

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Name of substantial shareholders	Class of shares	Nature of interest	Number of shares held (Note 1)	Percentage of the total number of issued shares of the Company (%)	Percentage of the total number of issued A Shares/ H Shares of the Company (%)	Long positions/ short positions/ shares available for lending
Wenze International Investment Limited (Notes 3 and 4)	H Shares	Beneficial owner	219,524,000	2.17	5.95	Long position
Wang Yili (Note 3)	H Shares	Interests of controlled corporation	219,524,000	2.17	5.95	Long position
Yan Yuqing (Note 4)	H Shares	Interests of controlled corporation	219,524,000	2.17	5.95	Long position

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

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

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

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

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

(iv) Interests and Short Positions Held by Directors, Supervisors and Chief Executives in shares, underlying shares and debentures of the Company and its associated corporations

As at the End of the Reporting Period, based on the information available to the Company and so far as the Directors are aware, none of the Directors, Supervisors and chief executives of the Company has interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) (i) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) which are required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or (iii) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

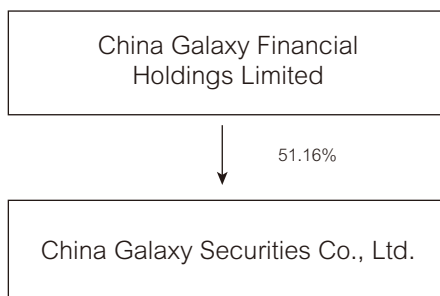
III. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(i) Controlling Shareholder

1. Legal person

Name	China Galaxy Financial Holdings Limited
Person in charge of the company or legal representative:	Li Mei
Date of establishment:	8 August 2005
Principal activities:	Securities, fund, insurance, trust, banking investment and management
Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the Reporting Period:	Nil
Others:	Nil

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



3. Increase in shareholdings by controlling shareholder

On 13 August 2018, Galaxy Financial Holdings increased its H Shares held in the Company through the Southbound Trading under the Stock Connect Program and committed to, in its name, further increase its shareholding in H Shares of the Company through the Southbound Trading under the Stock Connect Program in the coming 12 months, with the accumulated increase in shareholding not exceeding 3% of the total issued shares of the Company. As at 12 August 2019, the implementation period of the plan of shareholdings increase had expired. During the period from 13 August 2018 to 12 August 2019, Galaxy Financial Holdings increased its shareholding of H Shares in the Company by 25,927,500 shares through the Hong Kong Stock Connect, accounting for approximately 0.2558% of the total issued share capital of the Company. Upon the completion of the shareholding increase, Galaxy Financial Holdings and a party acting in concert with it, being Galaxy Insurance Brokerage (Beijing) Company Limited, held a total of 5,160,610,864 A Shares and 26,585,500 H Shares, accounting for 51.1696% of the total issued share capital of the Company.

SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

(ii) De Facto Controller

1 Legal person

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

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



IV. COMPLIANCE WITH UNDERTAKING BY CONTROLLING SHAREHOLDER

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

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

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

I. SHAREHOLDING CHANGES AND REMUNERATIONS

(i) Shareholding changes and remunerations of the existing Directors, Supervisors and senior management and those resigned during and after the Reporting Period

Name	Position (note)	Gender	Age	Starting date of term of office	Expiry date of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in shares during the year	Reason for the change	Total remuneration before tax received from the Company during the Reporting Period (RMB'0'000)	Whether received remuneration from the Company's related parties or not
Chen Gongyan	Executive Director, Chairman and Chairman of the Executive Committee	Male	58	2016.10.18	Present	0	0	0	-	303.14	No
Chen Liang	Executive Director, Vice Chairman, Vice chairman of the Executive Committee, President and Chief Risk Officer	Male	52	2019.12.20	Present	0	0	0	-	91.37	No
Liu Dingping	Non-executive Director	Male	58	2018.2.9	Present	0	0	0	-	0	Yes
Xiao Lihong	Non-executive Director	Female	55	2019.2.26	Present	0	0	0	-	0	Yes
Zhang Tianli	Non-executive Director	Male	58	2019.2.26	Present	0	0	0	-	0	Yes
Liu Ruizhong	Independent Director	Male	69	2017.9.29	Present	0	0	0	-	24.38	No
Wang Zhenjun	Independent Director	Male	63	2018.2.9	Present	0	0	0	-	24.75	No
Liu Chun	Independent Director	Female	57	2019.2.26	Present	0	0	0	-	19.82	No
Wang Zelan	Non-executive Director (Employee Director)	Female	55	2019.2.26	Present	0	0	0	-	178.64	No
Chen Jing	Chairman of the Supervisory Committee	Female	57	2017.5.5	Present	0	0	0	-	287.02	No
Chen Jijiang	Employee Supervisor	Male	54	2015.6.29	Present	0	0	0	-	159.15	No
Fan Minfei	Employee Supervisor	Male	53	2020.3.25	Present	0	0	0	-	144.80	No
Tao Libin	External Supervisor	Male	43	2016.10.18	Present	0	0	0	-	12.00	No
Fang Yan	External Supervisor	Female	52	2019.2.26	Present	0	0	0	-	9.15	No
Li Xianglin	Vice President	Male	53	2016.8.30	Present	0	0	0	-	282.78	No
Wu Jianhui	Member of the Executive Committee and Chief Business Officer	Male	50	2011.11.18	Present	0	0	0	-	224.92	No
Yin Yanwu	Member of the Executive Committee and Chief Business Officer	Male	46	2012.12.31	Present	0	0	0	-	283.04	No
Wu Chengming	Secretary to the Board	Male	57	2012.8.16	Present	0	0	0	-	308.80	No
Luo Liming	Member of the Executive Committee and Chief Business Officer	Male	44	2017.6.30	Present	0	0	0	-	294.27	No
Wu Guofang	Member of the Executive Committee and Chief Business Officer	Male	49	2017.12.20	Present	0	0	0	-	256.67	No
Liang Shipeng	Member of the Executive Committee and Chief Compliance Officer	Male	50	2019.7.5	Present	0	0	0	-	115.64	No
Shi Xun (resigned during the Reporting Period)	Non-executive Director	Male	62	2011.8.19	2019.2.26	0	0	0	-	0	Yes
Luo Lin (resigned during the Reporting Period)	Independent Director	Male	70	2015.6.29	2019.2.26	0	0	0	-	4.33	No

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Position (note)	Gender	Age	Starting date of term of office	Expiry date of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in shares during the year	Reason for the change	Total remuneration before tax received from the Company during the Reporting Period (RMB0'000)	Whether received remuneration from the Company's related parties or not
Li Chaoyang (resigned during the Reporting Period)	Non-executive Director (Employee Director)	Male	61	2015.6.29	2019.2.26	0	0	0	-	229.52	No
Gu Weiguo (resigned during the Reporting Period)	Executive Director	Male	61	2010.4.30	2019.5.28	0	0	0	-	126.40	No
Wu Yuwu (resigned during the Reporting Period)	Independent Director	Male	58	2013.1.25	2019.5.29	0	0	0	-	9.10	No
Zhong Cheng (resigned during the Reporting Period)	Supervisor	Male	57	2005.12.31	2019.2.26	0	0	0	-	187.27	No
Wei Xiaohui (resigned during the Reporting Period)	Vice President	Female	57	2017.3.3	2019.12.20	0	0	0	-	253.05	No
Zhu Ruimin (resigned during the Reporting Period)	Chief Financial Officer	Female	50	2012.4.23	2019.4.24	0	0	0	-	120.26	No
Liu Zhiyi (resigned after the Reporting Period)	Employee Supervisor	Female	56	2013.5.22	2020.3.25	0	0	0	-	171.53	No
Total	/	/	/	/	/	0	0	0	-	4,121.80	

Notes:

- When there are several positions in the position column, the term of the first position is listed only.
- The Company did not grant shares or share options to Directors, Supervisors and senior management of the Company. Directors, Supervisors and senior management did not hold any shares of the Company at the beginning or the end of the year.
- Total remuneration before tax of the Company's Directors, Supervisors and senior management received from the Company during the reporting period was in accrual nature. The final numbers of remuneration are under audit, which will be disclosed once confirmed.
- On 25 March 2020, the Company convened the fifth meeting of the second session of employee representative meeting of the Company. Mr. Fan Minfei was elected as an employee Supervisor of the third session of the Supervisory Committee of the Company with the term of office commencing from 25 March 2020. The remuneration Mr. Fan Minfei received from the Company during the Reporting Period was the remuneration for his service as an employee of the Company.

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

BIOGRAPHIES OF EXISTING DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Key work experience
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Executive Directors (2 people)

Chen Gongyan	born in June 1962, has been servicing as an Executive Director, the Chairman and the chairman of the Executive Committee of the Company since October 2016; the chairman of Securities Association of China since June 2011. Mr. Chen served as the chairman of the board of directors of China Securities Investor Protection Fund Corporation Limited from July 2005 to September 2011, a director and chairman of Galaxy Financial Holdings from May 2016 to October 2018, and deputy general manager of Huijin from August 2016 to June 2019. Prior to that, Mr. Chen held various positions in CSRC from February 1998 to July 2005, including the person in charge of the Information Center from February 1998 to October 1998, an assistant inspector of the Policy Research Office from October 1998 to October 2000, the deputy director of the Institution Regulatory Department from October 2000 to November 2004, and the director of the Risk Management Office for Securities Companies and the deputy director of the Institution Regulatory Department from November 2004 to July 2005. Mr. Chen served as a director and the vice president of Beijing Commodity Exchange from May 1993 to February 1998, an advisory researcher and the deputy researcher of Development Research Center of the State Council from February 1988 to May 1993, and a teacher of Tongling County Party School of Anhui Province from August 1982 to August 1985. Mr. Chen graduated from the Department of Economics of Peking University with a master's degree in foreign history of economic thoughts, and from the School of Economics and Management of Tongji University with a doctorate degree in technical economics and management.
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Chen Liang	born in January 1968, is an Executive Director, Vice Chairman, President, vice chairman of the Executive Committee and Chief Risk Officer of the Company. From October 1994 to February 2001, Mr. Chen successively served as the director of the Computer Division, deputy general manager of the Securities Division, manager of the Securities Branch in Wenyi Road, and deputy general manager of the Securities Business Headquarters of Xinjiang Hongyuan Trust Investment Co., Ltd.. From February 2001 to September 2009, he successively served as the general manager of the Urumqi Business Headquarters of Hong Yuan Securities Co., Ltd. ("Hong Yuan Securities"), assistant to the general manager of Hong Yuan Securities, general manager of the Xinjiang Sales and Marketing Center, and general manager of the Brokerage Business Headquarters of Hong Yuan Securities. From September 2009 to January 2015, he served as deputy general manager of Hong Yuan Securities and chairman of the board of directors of Hongyuan Futures Co., Ltd.. From December 2014 to May 2019, he served as a member of the Party Committee of each of Shenwan Hongyuan Group Co., Ltd. and Shenwan Hongyuan Securities Co., Ltd., the general manager of Shenwan Hongyuan Group Co., Ltd., and an executive director of Shenwan Hongyuan Securities (Western) Co., Ltd.. From August 2015 to May 2019, he served as the secretary of the Party Committee of Shenwan Hongyuan Securities (Western) Co., Ltd.. Mr. Chen Liang graduated from Xinjiang University majoring in mathematics and obtained a bachelor's degree in July 1989, and obtained an EMBA degree from Fudan University in January 2016.
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SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Non-executive Directors (4 people)

Liu Dingping

born in September 1962, has been serving as a non-executive Director of the Company since February 2018. Mr. Liu joined China Construction Bank Corporation in July 1984, and served as a cadre of its Anhui Branch from July 1984 to February 1992, and a cadre and the deputy general manager of Hainan Trust & Investment Company, a subsidiary of China Construction Bank Corporation, from February 1992 to July 1998. Mr. Liu served as an assistant to the general manager of Hong Yuan Trust & Investment Co., Ltd. and concurrently the general manager of its Shenzhen headquarter from July 1998 to June 2000; an executive director and the general manager of Hong Yuan Securities from June 2000 to January 2005; the deputy general manager of the securities department of China Cinda Asset Management Corporation and the team leader of the liquidation team of Hantang Securities Co., Ltd. from January 2005 to June 2007; and a non-executive director of CSC Financial Co., Ltd. from March 2011 to December 2017. Mr. Liu obtained a bachelor's degree in economics from the Department of Infrastructure Economics of Liaoning Institute of Finance and Economics in July 1984, a master's degree in business administration from the School of Economics and Management of Tsinghua University in July 2006, and a doctorate degree in management from the School of Management of Wuhan University of Technology in June 2017, and obtained the qualification of senior economist in December 1997.

Xiao Lihong

born in July 1965, has been a non-executive Director of the Company since February 2019. Ms. Xiao has been a director of Galaxy Financial Holdings since October 2018, a non-executive director of Bank of China and a member of its Strategic Development Committee, Risk Policy Committee, and a member of U.S. Risk management Committee since August 2017. Ms. Xiao held various positions in the State Administration of Foreign Exchange, including a cadre and a staff member of the General Office, a senior staff member and a principal staff member of the Non-trade Foreign Exchange Management Division under the Management and Inspection Department from August 1988 to October 1996; the deputy division chief of the Current Account Division and the deputy division chief of the Non-trade Foreign Exchange Management Division under the Management and Inspection Department from October 1996 to April 2002; the division chief of the Business Supervision Division of the Current Account Management Department from April 2002 to September 2004, and the deputy director and an inspector of the Current Account Management Department from September 2004 to September 2017. She also served as vice president of Beijing Branch of China Construction Bank from July 2011 to July 2012. Ms. Xiao graduated from the Central College of Finance and Economics in June 1988 majoring in finance with a bachelor's degree in economics, from the Central University of Finance and Economics in September 2003 majoring in finance with a master's degree in economics, and from Peking University in July 2012 majoring in public administration with a master's degree in public administration.

Zhang Tianli

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

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Wang Zelan

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

Independent Non-executive Directors (3 people)

Liu Ruizhong

born in July 1953, has been an independent non-executive Director of the Company since September 2017. Mr. Liu Ruizhong was a teacher of Tongling Finance and Economics College in Anhui Province from September 1982 to September 1984. He served as the deputy director of the Information Department of Chinese Economic System Reform Research Institute from December 1986 to May 1992, and the director of the Information Department of China International Futures Brokerage Co., Ltd. from May 1992 to May 1993. He served as the executive vice president of Beijing Commodity Exchange from May 1993 to July 1997, the consultant of Shenzhen Special Zone Securities Company from July 1997 to September 2000, and an independent director of Essence Securities Co., Ltd. from 2007 to 2013. Mr. Liu has been the general manager of Beijing Huachuang Investment Management Co., Ltd. since 2000, and a director of Harfor Fund Management Co., Ltd. since 2007, a director of Shenhua Futures Co., Ltd. since 2011, a director of Quantong Futures Brokerage Co., Ltd. since 2014 and a director of PPM (Shenzhen) Inc. (a company listed on the New OTC Board, stock code: 834044) since 2016. Mr. Liu graduated from the Department of Economics of Anhui University in 1982 with a bachelor's degree in economics, and graduated from the Department of Economics of Peking University in December 1986 with a master's degree in economics.

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Wang Zhenjun

born in May 1957, has been servicing as an independent non-executive Director of the Company since February 2018. Mr. Wang served as a cadre and vice president of the People's Bank of China, Huang County Sub-branch of Shandong, from December 1975 to October 1987. Mr. Wang joined Industrial and Commercial Bank of China Limited in 1987 and served as the director of the office of Industrial and Commercial Bank of China Limited, Yantai Branch of Shandong, from October 1987 to December 1991; an inspector (at the deputy director level) of the inspection office of Industrial and Commercial Bank of China Limited, Shandong Branch, from December 1991 to February 1993; the deputy head of the general office of the personnel department of headquarters of Industrial and Commercial Bank of China Limited from February 1993 to July 1993; the head of the general office of the office of headquarters of Industrial and Commercial Bank of China Limited from July 1993 to January 1995; the deputy director and director of the office of headquarters of Industrial and Commercial Bank of China Limited and the director of the office of its Party Committee from January 1995 to August 2008; the president of Industrial and Commercial Bank of China Limited, Beijing Branch, from August 2008 to June 2017; and the regional director of Industrial and Commercial Bank of China Limited from October 2016 to July 2017. Mr. Wang graduated from the Correspondence College of the Party School of the Central Committee of the Communist Party of China with a major in economics in December 1993; graduated from Tianjin College of Finance and Economics with a major in monetary banking in May 1998; and graduated from Tianjian College of Finance and Economics with a major in finance and obtained a master's degree in economics in June 1999 and was qualified as senior economist in November 1994.

Liu Chun

born in January 1963, has been servicing as an independent non-executive Director of the Company since February 2019. Ms. Liu was the finance manager of Dalian Friendship (Group) Co., Ltd. from July 1985 to May 2001 and held various positions in the Dalian branch of China National Investment and Guaranty Corporation (formerly known as China Economic Technology Investment and Guaranty Co., Ltd., China National Investment and Guaranty Co., Ltd. and China National Finance and Guaranty Co., Ltd.) from May 2001 to January 2018, including the finance manager, an assistant to the general manager, the person in charge of accounting function, the deputy general manager, chief financial officer, an assistant to the general manager of the Accounting Management Department, and the senior manager of the Financial Accounting Department. Ms. Liu graduated from Jiangxi College of Finance and Economics in 1985 majoring in trade and economics with a bachelor's degree in economics, and obtained the qualification of senior accountant in May 2006.

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Supervisors (5 people)

Chen Jing

born in January 1963, holds a master's degree in engineering, and is a senior engineer. She is currently the chairman of the Supervisory Committee and labor union committee of our Company. From March 1997 to March 2000, Ms. Chen served consecutively as deputy manager and manager in the technology development department of China Cinda Trust Investment Company (中國信達信託投資公司). From September 2000 to January 2007, Ms. Chen served consecutively as supervisor of information technology center, general manager of human resources department as well as general manager of client assets depository center of China Galaxy Securities Limited Liability Company. From January 2007 to August 2007, she was general manager of human resources department as well as general manager of client assets depository center of our Company. She served as the Vice President of our Company from August 2007 to March 2017 and a member of the Executive Committee of our Company from December 2012 to March 2017. She served as the chairman of Galaxy Yuanhui Investment Co., Ltd. from December 2015 to June 2018. Ms. Chen has been the chairman of our labor union committee of our Company since October 2012. Ms. Chen obtained a bachelor's degree in engineering from Huazhong Institute of Engineering (currently known as Huazhong University of Science and Technology) in July 1984, and a master's degree in engineering from Xidian University in February 1990. She is a senior engineer recognized by China Cinda Asset Management Co., Ltd. (中國信達資產管理公司) in December 2000.

Tao Libin

born in November 1977, has been a Supervisor of the Company since October 2016. Mr. Tao was a lecturer of the Statistics and Finance Department of the University of Science and Technology of China from June 2003 to April 2005, and has been a lecturer, vice chair and associate professor of the Investment Department of the School of Banking and Finance of the University of International Business and Economics since January 2009. Mr. Tao Libin graduated from the Statistics and Finance Department of the University of Science and Technology of China with a bachelor's degree in finance in July 2000 and a master's degree in finance in June 2003, and graduated from the Faculty of Business and Economics of the University of Hong Kong with a doctorate degree in finance in September 2008. Mr. Tao Libin was entitled as an associate professor in December 2012.

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Fang Yan

born in September 1968, has been a Supervisor of the Company since 26 February 2019. Ms. Fang was a teacher of the Party School of Beijing Municipal Public Security Bureau from July 1990 to June 1994, a partner of the Beijing LCC Partners Law Office from June 1994 to October 1995, and the deputy division chief of the Legal Department of Shaanxi International Trust Investment Co. Ltd. from October 1995 to March 2000. She has been a senior partner of Jincheng Tongda & Neal Law Firm and the director of its Xi'an branch since March 2000. Ms. Fang is a member of the 13th National People's Congress, a director of the All China Lawyers Association, the vice president of Shaanxi Provincial Lawyers Association and a member of its Party Committee, a special supervisor of the third session of the Supreme People's Court, a special supervisor of the Supreme People's Procuratorate, and a direct contact representative of the vice chairman of the National People's Congress. Ms. Fang graduated from Renmin University of China in July 1990 with a bachelor's degree in law, and from Northwest University in July 2001 with a master's degree in economics.

Chen Jijiang

born in May 1966, has been the Employee Supervisor of the Company since 29 June 2015. Mr. Chen served as general secretary of the Youth League under the Chemistry Department of the Capital Normal University from August 1989 to June 1992, deputy director-level clerk and director-level clerk of the Central Organization Department of the Communist Youth League from July 1992 to November 1995, employee of Securities Business Head Office and deputy general manager of the Personnel Department of China Cinda Trust and Investment Corporation from December 1995 to May 1999, deputy director (in charge of work) of the Organization Division of the Party Committee Organization Department and committee secretary of system of China Cinda Asset Management Co., Ltd. from June 1999 to June 2002. He has been serving as deputy director of the Organization Division of the Party Committee Organization Department, deputy director and director of the System and Personnel Division of the Human Resources Department, deputy general manager (in charge of work) of the Human Resources Department, deputy department director (in charge of work) of the Party Committee Organization Department, general manager of the Human Resources Department, director of the Party Committee Organization Department, person in charge of Party-Masses Work Department, the director of the Party Committee Office, executive deputy secretary of the Party Committee of the Company, deputy chairman of labour union of the Company, member of the Corporate Discipline Committee of the Company and the director of the Party Committee Office for leaders of inspection group since July 2002. Mr. Chen graduated from the Chemistry Department of the Capital Normal University in July 1989, and was granted the qualification as a financial economist by the PRC Ministry of Personnel in November 1997.

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Fan Minfei

born in October 1966, holds a postgraduate degree and is a senior accountant and is currently the general manager of the finance & treasury department of the Company and the chairman of Galaxy Capital. From February 1993 to October 2002, Mr. Fan Minfei served as the chief manager of the financial planning department of China SCI-Tech International Trust Investment Co., Ltd. (中國科技國際信託投資有限責任公司), the chief financial officer of its Beihai Branch, the chief financial officer of its Hainan representative office, as well as the deputy general manager of Shengsheng Department Store (生生百貨商場) in Hainan, an assistant to the general manager of its audit department, and the deputy general manager of its asset management department. From October 2002 to November 2006, he served as the deputy general manager and the general manager of the finance and accounting department, and the general manager of clearing department of China Sci-tech Securities Co., Ltd. (中國科技證券有限責任公司). From November 2006 to June 2009, he served as the general manager of the cost consulting center and the general manager of the asset management department of Beijing Zhongguancun Science City Construction Co., Ltd. (北京中關村科學城建設股份有限公司). From June 2009 to May 2010, he was the senior manager of the office of the general manager of Cinda Securities Co., Ltd. (信達證券股份有限公司). Since May 2010, he has been the deputy general manager of the strategy and research department (in charge of work), the general manager of the strategy and re-search department, the supervisor of the office of the president, the general manager of the financial planning department, and the general manager of the financial management department and the capital management department of the Company, the general manager of the Financial Capital Headquarters, a director of Galaxy Futures and a director and the chairman of Galaxy Capital. Mr. Fan Minfei obtained a bachelor's degree in law from Peking University in 1989 and a master's degree (full-time) in law from the Party School of the Central Committee of the Communist Party of China in 1993.

Other senior management (7 people)

Li Xianglin

born in October 1967, holds a master's degree in literature. He is currently a member of the Executive Committee and Vice President of our Company. From May 1992 to May 1993, he served as a clerk of Overseas Chinese Affairs Office of the State Council. From May 1993 to March 2001, he served successively as manager of organisation management department, general manager of Nanjing business department, senior manager of trading department, deputy general manager of research institute (in charge of work), director of the president's office, general manager of Tianjin branch of Huaxia Securities Co., Ltd.. From May 2001 to September 2009, he served successively as assistant to president and general manager of Beijing management headquarter of Bohai Securities Co., Ltd., Party Committee member and vice president of Bohai Securities Co., Ltd.. From September 2009 to December 2014, he served successively as Party Committee member, deputy general manager and general manager of Beijing asset management branch, deputy secretary of Party Committee, deputy general manager and general manager of Beijing asset management branch of Hong Yuan Securities. From January 2015 to August 2016, he served as deputy general manager of Shenwan & Hongyuan Securities Ltd.. He has been a member of the Executive Committee and Vice President of our Company since August 2016, and chairman of Galaxy Futures from December 2016 to July 2018. Mr. Li obtained a bachelor's degree in literature from Nankai University in July 1989, a master's degree in literature from Renmin University of China in June 1992 and EMBA from Peking University in July 2006.

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Wu Jianhui

born in November 1970, holds a doctorate in economics, and is a senior economist. He is currently a member of the Executive Committee and the Chief Business Officer of our Company. From April 1997 to December 2005, Mr. Wu served consecutively as staff member of examination and appointment and dismissal division of staff education department, deputy manager of training and development division (in charge of work), deputy manager of general information division (in charge of work) and manager of long-term incentive program division of human resources department of China Unicom Limited (中國聯合通信有限公司). From January 2006 to December 2007, Mr. Wu was an assistant general manager of human resources department in Bank of China Limited (中國銀行股份有限公司), during which he also served as director of Bank of China Insurance Co., Ltd. (中銀保險有限公司). From December 2007 to June 2010, he worked as senior manager in human resources department of China Investment Corporation. From July 2010 to April 2012, Mr. Wu served as general manager of human resources department in our Company. From March 2011 to August 2012, he served as secretary to the Board of our Company. He has been serving as a director of Galaxy Capital from July 2011 to March 2018, the Chief Human Resources Officer since November 2011 and a member of the Executive Committee of our Company since December 2012. From January 2016 to January 2018, Mr. Wu was seconded as a member of the standing committee of the municipal committee and deputy mayor of Zunyi City, Guizhou Province. Mr. Wu obtained a bachelor's degree in law from Lanzhou University in June 1994, a master's degree in economics from Renmin University of China in June 1997 and a doctor's degree in economics from Renmin University of China in January 2005.

Yin Yanwu

born in March 1974, holds two master's degrees in law as well as quantitative and computational finance. He is the Chief Business Officer and a member of the Executive Committee of the Company. He is also the director and chairman of Galaxy Jinhui. He is responsible for the asset management business, research and international business of our Company. From July 1997 to March 2003, he worked at Economic Crime Investigation Division of Ministry of Public Security of PRC. From September 2003 to May 2005, he studied at US Georgia Institute of Technology. From September 2005 to April 2007, Mr. Yin was responsible for investment analysis in West Asset Management Company in USA. From April 2007 to June 2008, he worked in EARNEST Partners LLC in USA, and was designated as chief representative of Beijing Office of this company. From June 2008 to November 2011, he worked in Risk Management Department of China Investment Corporation (中國投資有限責任公司). From November 2011 to December 2012, Mr. Yin served as the Chief Business Officer of Asset Management Business of our Company. He has been the director of the asset management business and a member of Executive Committee of the Company since December 2012. Since September 2014, he has been serving as the director and chairman of Galaxy Jinhui. Mr. Yin obtained a bachelor's degree in engineering from Beijing University of Aeronautics & Astronautics in July 1997, a master of law degree from Peking University in January 2003, and a master of science degree in Quantitative and Computational Finance from Georgia Institute of Technology in May 2005.

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Wu Chengming

born in December 1963, served as a Director of our Company from August 2009 to February 2019, as Secretary to the Board since August 2012, a member of the Executive Committee of the Company since December 2012, and a director of Zhengtong Co., Ltd. since June 2018. From August 1985 to June 2009, Mr. Wu served consecutively as deputy division director of Foreign Regulations Division of Legal Affairs Department, deputy division director and division director of the Third Division of Legal Affairs Department, and division director of Administrative Review Department of the Ministry of Finance. From June 2009 to July 2012, Mr. Wu served as director of Galaxy Financial Holdings, during which time he was also director of Galaxy Investment from May 2011 to July 2012. Mr. Wu obtained a bachelor's degree in law from Peking University in July 1985.

Luo Liming

born in September 1976, holds a doctorate degree in computer science, and is a member of China Securities Industry Standardization Technology Committee, the chief expert of Professional Working Group on Information Disclosure of CSISC (證標委信息披露領域專業工作組), the deputy director of Internet Professional Committee of the Securities Association of China, vice chairman of the China Computer Users Association, vice chairman of the Securities Association of Beijing and chairman of its brokerage business committee. Mr. Luo is currently a member of the Executive Committee and the Chief Business Officer of the Company. Mr. Luo successively served as operation and maintenance engineer, programmer, project leader and project manager of Changzhou Securities Company (常州市證券公司) (now known as Donghai Securities Company Limited (東海證券股份有限公司)) and its subsidiaries from August 1998 to May 2002; successively served as project manager and manager of the development department of Beijing Shihua International Financial Information Company Limited (北京世華國際金融信息有限公司) from May 2002 to October 2005; successively served as consultant, senior consultant, project manager, senior project manager, director of department, general manager assistant and deputy general manager of Global Business Intelligence Consulting Co.(吉貝克信息技術有限公司) from October 2005 to February 2013; a researcher of Planning and Development Committee of the China Securities Regulatory Commission from March 2013 to February 2015; successively served as the director of technical development department and concurrently the director of system operation and maintenance department, the director of IT department and a member of executive committee of China Securities Inter-Institution Quotation System Company (中證機構間報價系統公司) from February 2015 to April 2016; and the IT director of Zhongtai Securities Co., Ltd. from April 2016 to June 2017.

Wu Guofang

born in July 1971, member of the Communist Party of China, doctor of law. He is vice chairman of investment banking committee of the Securities Association of China and vice president of Ningxia Securities and Futures Fund Association. He is a member of the Executive Committee, Chief Business Officer and chairman of the Investment Banking Management Committee of the Company. Mr. Wu successively worked at the Legal Affairs Committee of the Standing Committee of the National People's Congress and the CSRC since July 2000, and successively served as director of legal department, member of the ChiNext Stock Issuance Review Committee and director of issuance supervision department of the CSRC, assistant to director of the Administrative Committee of Zhongguancun Science Park, Beijing, and deputy director of legal department of the CSRC from May 2002 to November 2017.

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Liang Shipeng

born in November 1969, holds a bachelor's degree in economics from Northwest University and an MBA degree from Northwest University. He is a member of the Executive Committee and the Chief Compliance Officer of the Company. From September 1994 to December 1998, Mr. Liang Shipeng served as a staff member of the Investing Banking Department of Hainan Securities Company Limited and a staff member of Qinghai Securities Management Office. From December 1998 to May 2002, he served as a senior staff member, principal staff member and deputy division chief of the Listed Company Regulatory Division of Xining Special Commissioner's Office of the CSRC. From May 2002 to March 2004, he was the deputy division chief and division chief of the Institution Regulatory Division of Xining Special Commissioner's Office of the CSRC. From March 2004 to December 2007, he served as the division chief of the Institution Regulatory Division of the Qinghai Regulatory Bureau of the CSRC. From December 2007 to February 2011, he served as a member of the Party Committee and the deputy chief of the Tibet Regulatory Bureau of the CSRC. From February 2011 to December 2014, he served as a member of the Party Committee, the secretary of the Discipline Inspection Commission and deputy chief of the Qinghai Regulatory Bureau of the CSRC. From December 2014 to April 2019, he was the secretary of the Party Committee and chief of the Qinghai Regulatory Bureau of the CSRC.

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

(i) Positions in shareholder entities

Name of employee	Name of shareholder entity	Position in shareholder entity	Starting date of term of office	Expiry date of term of office
Chen Gongyan	Galaxy Financial Holdings	Chairman	May 2016	October 2018
Gu Weiguo	Galaxy Financial Holdings	Director	June 2011	March 2019
Shi Xun	Galaxy Financial Holdings	Director	September 2017	October 2018
Xiao Lihong	Galaxy Financial Holdings	Director	October 2018	Present
Zhang Tianli	Galaxy Financial Holdings	Director	August 2017	Present

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(ii) Positions in other entities

Name of employee	Name of other entity	Position in other entity	Starting date of term of office	Expiry date of term of office
Chen Gongyan	Huijin	Deputy general manager	August 2016	June 2019
	Securities Association of China	Chairman	June 2011	Present
	Asian Financial Cooperation Association	Vice Chairman	July 2017	Present
	The Green Finance Cooperation Committee of AFCA	Director	November 2018	Present
	SZSE	Member director	April 2017	Present
Xiao Lihong	Bank of China Limited	Non-executive director	August 2017	Present
Liu Ruizhong	Beijing Huachuang Investment Management Co., Ltd.	General manager	January 2000	Present
	Harfor Fund Management Co., Ltd.	Independent director	April 2006	Present
	Shenhua Futures Co., Ltd.	Independent director	May 2010	Present
	Guantong Futures Co., Ltd.	Independent director	July 2012	Present
	PPM (Shenzhen) Inc.	Independent director	August 2014	Present
Shi Xun	CGS-CIMB Securities	Director	January 2018	March 2019
Wu Chengming	The Listed Companies Association of Beijing	Member of the fifth session of the council	August 2018	Present
	E-Capital Transfer Co., Ltd.	Director	June 2018	Present
Wu Yuwu	The Chinese University of Hong Kong	Professor	July 1995	29 May 2019
	Honghua Group Limited	Independent director	January 2018	29 May 2019
Chen Jing	Galaxy Financial Holdings Working Committee under the National Committee of the China Financial Labour Union	Vice chairman	July 2013	Present
	Research Association of Ideological and Political Work of China Financial Institutions	Executive director of the fifth session of the council	March 2017	Present
	Securities Association of China	Vice chairman of the investor service and protection committee	April 2018	Present
Liu Zhiyi	Beijing National Accounting Institute	Part-time professor	September 2012	Present

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name of employee	Name of other entity	Position in other entity	Starting date of term of office	Expiry date of term of office
Tao Libin	University of International Business and Economics	Vice chair and associate professor of the investment department of the school of finance	January 2009	Present
Fang Yan	Jincheng Tongda & Neal Law Firm	Senior partner and director of Xi'an branch	March 2000	Present
Chen Liang	China Association for Public Companies	Council member, vice president	December 2019	Present
	Securities Association of China	Chairman	December 2019	Present
Li Xianglin	Securities Association of China	Member of human resources management committee	January 2018	Present
	Securities Association of Beijing	Chairman of brokerage business committee	December 2016	July 2019
Wei Xiaohui	Huoshan County Orphan Helping and Education Aiding Society	Head of accounting and director	June 2009	Present
Wu Jianhui	Financial Talent Committee of the China Talent Research Association	Vice chairman	January 2013	Present
	Securities Association of China	Member of compliance management committee	January 2018	Present
Yin Yanwu	Asset Management Business Committee of the Securities Association of Beijing	Vice chairman	January 2014	Present
	OTC Market Committee of the Securities Association of China	Vice chairman	April 2018	Present
	Shanghai Stock Exchange	Member of international development committee	January 2020	Present
Luo Liming	Securities Association of China	Vice chairman of Internet securities committee	January 2018	Present

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Name of employee	Name of other entity	Position in other entity	Starting date of term of office	Expiry date of term of office
	China Financial Standardization Technical Committee	Member of the securities sub-committee, chief expert of the working group for information disclosure of the securities sub-committee	April 2015	Present
	China Computer Users Association	Vice chairman	May 2018	Present
	Securities Association of Beijing	Vice president, chairman of brokerage business committee	August 2019	Present
Wu Guofang	Securities Association of China	Vice chairman of investment banking committee	January 2018	Present
	Ningxia Securities and Futures Fund Association	Vice president	May 2019	Present
	Shanghai Stock Exchange	Vice chairman of bonds development committee	January 2020	Present
Liang Shipeng	Securities Association of China	Member of securities industry culture construction committee	November 2019	Present

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

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

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

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

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

Actual total remuneration of all the Directors, Supervisors and management as at the End of the Reporting Period:

The total amount of remuneration (before tax) received by all the Directors, Supervisors and senior management was RMB39.7700 million in 2019.

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Changes	Reason for changes
Shi Xun	Non-executive Director	Resigned	On 26 February 2019, at the first extraordinary meeting for 2019 of the Company, Ms. Xiao Lihong and Mr. Zhang Tianli were elected as non-executive Directors of the third session of the Board, and Mr. Shi Xun and Mr. Wu Chengming ceased to be Directors of the Company due to work arrangements.
Wu Chengming	Executive Director	Resigned	
Xiao Lihong	Non-executive Director	Elected	
Zhang Tianli	Non-executive Director	Elected	
Luo Lin	Independent Director	Resigned	On 26 February 2019, at the first extraordinary meeting for 2019 of the Company, Ms. Liu Chun was elected as an independent Director of the third session of the Board, and Mr. Luo Lin ceased to be an independent Director of the Company due to his age.
Liu Chun	Independent Director	Elected	
Li Chaoyang	Non-executive Director (Employee Director)	Resigned	As approved at the employee representative meeting of the Company, Ms. Wang Zelan was elected as an employee Director of the Company with effect from 26 February 2019. Mr. Li Chaoyang ceased to be an employee Director of the Company due to his age.
Wang Zelan	Non-executive Director (Employee Director)	Elected	
Gu Weiguo	Executive Director	Resigned	On 28 May 2019, upon consideration at the annual general meeting for 2018 of the Company, Mr. Gu Weiguo ceased to be a Director of the Company.
	Vice Chairman, President, member of the Executive Committee	Removed	On 14 March 2019, upon agreement at the 49th meeting (extraordinary) of the third session of the Board of the Company, given that Mr. Gu Weiguo retired due to age, he was removed from the positions of President, member of the Executive Committee and Vice Chairman of the Company with effective from the same date.
Wu Yuwu	Independent Director	Passed away	On 29 May 2019, Mr. Wu Yuwu, an independent Director of the Company and a member of each of the Audit Committee and the Nomination and Remuneration Committee, passed away.

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Position	Changes	Reason for changes
Chen Liang	Executive Director, Vice Chairman	Elected	On 20 December 2019, at the second extraordinary meeting for 2019 of the Company, Mr. Chen Liang was elected as an executive Director of the third session of the Board. On the same date, upon agreement at the 56th meeting (extraordinary) of the third session of the Board, Mr. Chen Liang was appointed as Vice Chairman of the Company.
	President, member of the Executive Committee	Appointed	On 11 June 2019, at the 52nd meeting (extraordinary) of the third session of the Board of the Company, Mr. Chen Liang was appointed as the President and a member of the Executive Committee of the Company for a term commencing on the same date and ending on the date of expiry of the term of office of the third session of the Board of the Company.
	Vice chairman of the Executive Committee	Elected	On 11 September 2019, Mr. Chen Liang was elected as vice chairman of the Executive Committee at the eleventh meeting for 2019 of the Executive Committee of the Company.
	Chief Risk Officer	Appointed	On 28 October 2019, upon agreement at the 54th meeting of the third session of the Board of the Company, Mr. Chen Liang was appointed as the Chief Risk Officer of the Company.
Fang Yan	Supervisor	Elected	On 26 February 2019, at the first extraordinary meeting for 2019 of the Company, Ms. Fang Yan was elected as a non-employee representative Supervisor of the third session of the Supervisory Committee, and Mr. Zhong Cheng ceased to be a Supervisor of the Company due to work arrangements.
Zhong Cheng	Supervisor	Resigned	
Fan Minfei	Employee Supervisor	Elected	On 25 March 2020, the Company convened the fifth meeting of the second session of employee representative meeting of the Company. Mr. Fan Minfei was elected as an employee Supervisor of the third session of the Supervisory Committee of the Company. Ms. Liu Zhiyi, the original employee Supervisor, ceased to be an employee Supervisor of the third session of the Supervisory Committee of the Company as she has reached the statutory retirement age.
Liu Zhiyi	Employee Supervisor	Resigned	
Liang Shipeng	Chief Compliance Officer, member of the Executive Committee	Appointed	On 11 June 2019, the third session of the Board of the Company agreed to appoint Mr. Liang Shipeng as the Chief Compliance Officer and a member of the Executive Committee of the Company. His term of office will end on the date of expiry of the term of office of the third session of the Board. The appointment is subject to the approval of the regulatory authorities. On 8 July 2019, the Company received the "No Objection Letter to China Galaxy Securities Co., Ltd. in relation to the Appointment of Liang Shipeng as Compliance Officer" (Jing Zheng Jian Fa [2019] No. 195, issued on 5 July 2019) from the CSRC Beijing Bureau, pursuant to which the CSRC Beijing Bureau has no objection to the appointment of Mr. Liang Shipeng as the Compliance Officer of the Company and his term of office as the Compliance Officer of the Company commenced on 5 July 2019.

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Name	Position	Changes	Reason for changes
Zhu Ruimin	Chief Financial Officer, member of the Executive Committee	Resigned	On 24 April 2019, at the 51st meeting (regular) of the third session of the Board of the Company, the resignation of Ms. Zhu Ruimin as the Chief Financial Officer and a member of the Executive Committee of the Company was approved.
Wei Xiaohui	Vice President, member of the Executive Committee	Resigned	On 20 December 2019, at the 56th meeting (extraordinary) of the third session of the Board of the Company, the resignation of Ms. Wei Xiaohui was approved and she ceased to be Vice President and a member of the Executive Committee of the Company with effective from the same date.

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

Nil

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

VI. STAFF AND REMUNERATION

(i) Numbers and composition of staff

Number of employees of the Company	8,702
Number of employees of the major subsidiaries	1,119
Total number of employees	9,821
Number of resigned and retired employees with expenses borne by the Company and major subsidiaries	623

Profession Structure

Category	Number of persons
Securities brokerage	6,850
Futures brokerage	468
Investment banking	385
Assets management	112
Proprietary trading	113
Private equity investment	29
Investment research	150
Clearing	108
Legal/Risk Control/Audit	621
IT	487
Planning and Finance	299
Administrative management	199
Total	9,821

Educational Background

Category	Number of persons
Doctors	86
Masters	1,871
Bachelors	6,198
Associate degree and below	1,666
Total	9,821

(ii) Remuneration of staff

The remuneration of staffs of the Company comprises of basic remuneration, allowances, performance based bonus and benefits.

The basic remuneration is a relatively fixed part in the composition of remuneration, which is the basic income of staffs. The pay grade of basic remuneration corresponds to the rank of employees.

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

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

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

SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(iii) Training plan

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

(iv) Labour outsourcing

Total working hours outsourced:	281,411 working hours
Total remuneration paid for labour outsourcing:	RMB13,075,870.63

VII. DETAILS OF ENGAGING BROKERS TO SOLICIT CUSTOMERS AND PROVIDE CUSTOMER SERVICES

Securities brokers entered into agency contract with the Company, accepting the Company’s mandate. They are natural persons other than the Company’s employees who act as agents and engage in brokerage related activities such as customer solicitation and customer services within the authorisation of the Company. The Company adopts centralized management of such brokers. The headquarters of the Company formulated securities broker management measures and related systems, established a securities broker management platform, and centralized the management of securities branch and broker’s qualification review, registration, business training, performance appraisal, risk control etc. The Company’s securities branch is responsible for the daily management of brokers. As at the End of the Reporting Period, there were 1,036 brokers working for the Company.

SECTION IX CORPORATE GOVERNANCE REPORT

I. INFORMATION ON CORPORATE GOVERNANCE

(i) Overview of corporate governance

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

During the Reporting Period, except for code provisions A.2.1 and A.4.2, the Company had been in strict compliance with the Corporate Governance Code and has complied with all code provisions and met the requirements of most recommended best practice provisions set out in the Corporate Governance Code. Under code provision A.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. As Mr. Gu Weiguo ceased to be the President of the Company due to reaching the retirement age, Mr. Chen Gongyan, the Chairman of the Board, served as the Acting President of the Company during the period from 14 March 2019 to 11 June 2019. On 11 June 2019, Mr. Chen Liang was appointed as the President of the Company and Mr. Chen Gongyan ceased to be the Acting President of the Company. Therefore, the Company has re-complied with the code provision A.2.1 of the Corporate Governance Code. Under code provision A.4.2 of the Corporate Governance Code, each director shall retire by rotation at least once every three years. The term of the third session of the Board and the Supervisory Committee has exceeded three years. In accordance with the Articles of Association, members of the current session of the Board and the Supervisory Committee shall continue to perform duties until the establishment of the next session of the Board and the Supervisory Committee. As the nomination of candidates for the Directors and the Supervisors of the fourth session of the Board and the Supervisory Committee has not been completed, and the election process of the Board and the Supervisory Committee is still in preparation, in order to ensure the continuity of the work of the Board and the Supervisory Committee, the election of the fourth session of the Board and the Supervisory Committee will be postponed. The Company will submit the information on nomination or re-election of new session of directors and supervisors at the general meeting for approval in accordance with legal procedures, if practicable.

(ii) Information of insider registration management

Subject to the “Requirements for the Establishment of Administrative System for Registration of Insider of Listed Companies” issued by the CSRC, the Company has formulated and strictly implemented the “Insider Registration System of the Company”, and has conducted registration and filing of insiders in accordance with requirements under the system.

SECTION IX CORPORATE GOVERNANCE REPORT

(iii) Corporate governance policies and the responsibilities of the Board in respect of corporate governance

The Company strictly complied with the Stock Exchange Listing Rules and related code provisions as corporate governance policies. In respect of corporate governance, the duties of the Board are:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and supervise the training and continuing professional development for the Directors and senior management;
- (c) to review and supervise the Company's policies and practices in complying with relevant laws and regulatory rules;
- (d) to develop, review and supervise the code of conduct and compliance manual applicable to employees and Directors (if any);
- (e) to review the Company's compliance with the code provisions and the disclosure in the "Corporate Governance Report".

II. INTRODUCTION TO GENERAL MEETINGS

Session of meeting	Date of the meeting	Index for websites on which resolutions were published	Date of publication of resolutions
First extraordinary general meeting for 2019	26 February 2019	http://www.sse.com.cn http://www.hkexnews.hk http://www.chinastock.com.cn	26 February 2019
Annual general meeting for 2018	28 May 2019	http://www.sse.com.cn http://www.hkexnews.hk http://www.chinastock.com.cn	28 May 2019
Second extraordinary general meeting for 2019	20 December 2019	http://www.sse.com.cn http://www.hkexnews.hk http://www.chinastock.com.cn	20 December 2019

DESCRIPTION OF GENERAL MEETINGS

As the supreme authority of the Company, the general meeting of the Company exercises its powers according to the requirements of the Articles of Association and the rules of procedure of the general meeting. The Company strictly adheres to the rules in convening and conducting the general meeting and ensures that all shareholders have equal status and can fully exercise their rights. During the Reporting Period, the Company convened 3 general meetings, the details and resolutions of which are as follows:

1. On 26 February 2019, the Company held the first extraordinary general meeting for 2019 to consider and approve the "Proposal for the Election of Ms. Liu Chun as an Independent Director of the Third Session of the Board of Directors by the General Meeting", the "Proposal for the Election of Ms. Fang Yan as a Non-employee Representative Supervisor of the Third Session of the Supervisory Committee by the General Meeting", the "Remuneration Settlement Plan for Mr. Chen Gongyan for 2017", the "Remuneration Settlement Plan for Ms. Chen Jing for 2017", the "Remuneration Settlement Plan for Mr. Zhong Cheng for 2015 to 2017", the "Proposal for the Election of Ms. Xiao Lihong as a Non-executive Director of the Third Session of the Board of Directors by the General Meeting" and the "Proposal for the Election of Mr. Zhang Tianli as a Non-executive Director of the Third Session of the Board of Directors by the General Meeting".

SECTION IX CORPORATE GOVERNANCE REPORT

2. On 28 May 2019, the Company held the annual general meeting for 2018 to consider and approve the “Work Report of the Board of Directors for 2018”, the “Work Report of the Supervisory Committee for 2018”, the “Proposal for Reviewing the 2018 Annual Report of the Company”, the “Proposal for Reviewing the Final Accounts Report of the Company for 2018”, the “Proposal for Reviewing the Profit Distribution Plan of the Company for 2018”, the “Proposal for Reviewing the Capital Expenditure Budget of the Company for 2019”, the “Proposal for the Appointment of the External Auditing Firms of the Company for 2019”, the “Proposal for the Removal of Mr. Gu Weiguo as a Director of the Company” and the “Proposal for the General Mandate to Issue Shares of the Company”, and to listen to the “2018 Duty Performance Report of Independent Directors”.
3. On 20 December 2019, the Company held the second extraordinary general meeting for 2019 to consider and approve the “Proposal for the Election of Mr. Chen Liang as an Executive Director of the Third Session of the Board of Directors by the General Meeting”.

III. BOARD MEETINGS AND PERFORMANCE OF DUTIES BY DIRECTORS

(i) Composition of the Board of Directors

The Board will constantly modify the rules of procedure of the Board of Directors, and exert its professional advantage as a special committee to further improve its decision-making efficiency and standard. The independent non-executive Directors have faithfully performed their duties and have protected the overall interests of the Company, especially the interests of small and medium shareholders, which ensured the independence and scientificity of the decision-making by the Board.

The Board currently comprises 9 Directors, including 2 executive Directors (Mr. Chen Gongyan and Mr. Chen Liang), 4 non-executive Directors (Mr. Liu Dingping, Ms. Xiao Lihong, Mr. Zhang Tianli and Ms. Wang Zelan) and 3 independent non-executive Directors (Mr. Liu Ruizhong, Mr. Wang Zhenjun and Ms. Liu Chun), among which the number of independent Directors accounts for no less than one-third of the number of Directors. Mr. Chen Gongyan is the chairman of the Board and Mr. Chen Liang is the vice chairman of the Board. There is no relation (including financial, business, family and other major or relevant relations) between or amongst the Directors, Supervisors and senior management officers. During the Reporting Period and as of the date of this report, the changes in the members of the Board are shown in the section headed “Section VIII Directors, Supervisors, Senior Management and Staff – IV. Changes in Directors, Supervisors and Senior Management”.

Directors are elected by the general meeting and are eligible for re-election upon the expiration of the term, which is 3 years. The Company confirms that it has received the annual confirmation of independence from each of the independent Directors pursuant to Rule 3.13 of the Stock Exchange Listing Rules and the Company continues to confirm the independence of the independent Directors.

According to the resolutions passed at the general meeting, the Company has purchased liability insurance for Directors, Supervisors and senior management to control the legal and regulatory risks which the Directors, Supervisors and senior management may encounter during the performance of their duties and to further encourage them to perform their duties fully and diligently.

SECTION IX CORPORATE GOVERNANCE REPORT

(ii) Attendance of Directors at Board meetings and general meetings during the Reporting Period

Name of Directors	Independent Director	Required Attendance during the year	Attendance at Board meetings				Absence from two consecutive meetings in person	Attendance at general meetings
			Attendance in person	Attendance by communication	Attendance by proxy	Absence		
Chen Gongyan	No	10	9	2	1	0	No	3
Gu Weiguo (resigned during the Reporting Period)	No	4	1	0	3	0	Yes	0
Chen Liang	No	1	1	0	0	0	No	0
Shi Xun (resigned during the Reporting Period)	No	0	0	0	0	0	No	0
Liu Dingping	No	10	10	2	0	0	No	3
Wu Chengming (resigned during the Reporting Period)	No	0	0	0	0	0	No	1
Xiao Lihong	No	10	10	3	0	0	No	2
Zhang Tianli	No	10	10	2	0	0	No	2
Luo Lin (resigned during the Reporting Period)	Yes	0	0	0	0	0	No	0
Wu Yuwu (resigned during the Reporting Period)	Yes	4	2	2	2	0	No	0
Liu Ruizhong	Yes	10	10	2	0	0	No	3
Wang Zhenjun	Yes	10	9	2	1	0	No	3
Liu Chun	Yes	10	10	2	0	0	No	2
Li Chaoyang (resigned during the Reporting Period)	No	0	0	0	0	0	No	2
Wang Zelan	No	10	10	3	0	0	No	2

Description of absence from two consecutive meetings in person

On 27 March 2019, due to work arrangement, Mr. Gu Weiguo appointed Mr. Chen Gongyan to attend and vote on the 50th meeting (extraordinary) of the third session of the Board of Directors on his behalf. On 24 April 2019, due to work arrangement, Mr. Gu Weiguo appointed Mr. Liu Dingping to attend and vote on the 51st meeting (extraordinary) of the third session of the Board of Directors on his behalf.

Number of Board meetings held during the year	10
Of which:	
Number of meetings held via communication	2
Number of meetings held by way of combination of both	8

SECTION IX CORPORATE GOVERNANCE REPORT

(iii) Operation of the Board

During the Reporting Period, the Company held 10 Board meetings through communication tool or a combination of on-site meeting and communication tool, details of which are as follows:

- (1) On 26 February 2019, the 48th meeting (extraordinary) of the third session of the Board of the Company was held, at which the “Proposal for the Work Plan of China Galaxy Securities Co., Ltd. for 2019”, the “Proposal for the Capital Expenditure Budget of China Galaxy Securities Co., Ltd. for 2019”, the “Proposal for the Review and Authorization of the Provision of Bank Loan Guarantee by Galaxy International Holdings to CGS-CIMB Securities”, the “Proposal for Reviewing the Capital Increase to Galaxy Yuanhui Investment Co., Ltd.”, the “Proposal for Reviewing the Capital Increase to Galaxy Capital Management Company Limited” and the “Proposal for the Composition of Special Committees under the Third Session of the Board of China Galaxy Securities Co., Ltd.” was considered and passed.
- (2) On 14 March 2019, the 49th meeting of the third session of the Board of the Company was held, at which the “Proposal for the Removal of the President of China Galaxy Securities Co., Ltd” was considered and passed.
- (3) On 27 March 2019, the 50th meeting (regular) of the third session of the Board of the Company was held, at which the “Proposal for Reviewing the Final Accounts Plan of China Galaxy Securities Co., Ltd. for 2018”, the “Proposal for Reviewing the Profit Distribution Plan of China Galaxy Securities Co., Ltd. for 2018”, the “Proposal for Reviewing the Compliance Report of China Galaxy Securities Co., Ltd. for 2018”, the “Proposal for Reviewing the Risk Management Report of China Galaxy Securities Co., Ltd. for 2018”, the “Proposal for Reviewing the Internal Control Assessment Report of China Galaxy Securities Co., Ltd. for 2018”, the “Proposal for Reviewing the Annual Report of China Galaxy Securities Co., Ltd. for 2018”, the “Proposal for Reviewing the Social Responsibility & Environmental, Social and Governance Report of China Galaxy Securities Co., Ltd. for 2018”, the “Management’s Work Report for 2018”, the “Work Report of the Board for 2018”, the “Duty Performance Report of the Audit Committee of the Board for 2018”, the “Work Report of Independent Directors for 2018”, the “Proposal for the General Mandate to Issue Shares”, the “Proposal for the Appointment of the External Auditing Firms of the Company for 2019”, the “Proposal for Reviewing the Expenditure of the Poverty Alleviation Funds for 2019”, the “Proposal for Reviewing the Provisions on the Integrity of China Galaxy Securities Co., Ltd.”, the “Proposal for Convening the General Meeting of China Galaxy Securities Co., Ltd. for 2018” were considered and passed; and the duty performance reports of the Strategy and Development Committee, the Nomination and Remuneration Committee and the Compliance and Risk Management Committee under the Board for 2018 and the “Report on the Anti-Money Laundering Work of China Galaxy Securities Co., Ltd. for 2018” were heard.
- (4) On 24 April 2019, the 51st meeting (regular) of the third session of the Board of the Company was held, at which the “Proposal for Reviewing the First Quarterly Report of the Company for 2019” and the “Proposal for Reviewing and Approving the Resignation of Ms. Zhu Ruimin from the Positions of the Chief Financial Officer and a Member of the Executive Committee of the Company” were considered and passed and the report of the operating performance in the first quarter of 2019 was heard.
- (5) On 11 June 2019, the 52nd meeting (regular) of the third session of the Board of the Company was held, at which the “Proposal for the Appointment of Mr. Chen Liang as the President and a Member of the Executive Committee of the Company”, the “Proposal for the Recommendation of Mr. Chen Liang as the Candidate for Director of the Company” and the “Proposal for the Appointment of Mr. Liang Shipeng as the Chief Compliance Officer and a Member of the Executive Committee of the Company” were considered and passed.
- (6) On 27 August 2019, the 53rd meeting (regular) of the third session of the Board of the Company was held, at which the “Proposal for Reviewing the Interim Report of China Galaxy Securities Co., Ltd. for 2019”, the “Proposal for Reviewing of the Interim Compliance Report of China Galaxy Securities Co., Ltd. for 2019” and the “Proposal for Reviewing of the Amendments to the Rules of Procedure of the Executive Committee of China Galaxy Securities Co., Ltd.” were considered and passed; and the report on the operating performance in the first half of 2019 was heard.

SECTION IX CORPORATE GOVERNANCE REPORT

- (7) On 28 October 2019, the 54th meeting (regular) of the third session of the Board of the Company was held, at which the “Proposal for Reviewing the Third Quarterly Report of the Company for 2019”, the “Proposal for Reviewing the Anti-Money Laundering and Anti-Terrorism Financing Management System (Amendment) of China Galaxy Securities Co., Ltd.”, the “Proposal for the Appointment of Mr. Chen Liang as the Chief Risk Officer of the Company”, and the “Proposal for Convening the Second Extraordinary Meeting of China Galaxy Securities Co., Ltd. for 2019” were considered and passed; the report on the operating performance in the third quarter of 2019 was heard and the directors’ training on the “Newly Revised Code of Corporate Governance for Listed Companies and Compliance Operation of Listed Companies” was conducted.
- (8) On 12 November 2019, the 55th meeting (extraordinary) of the third session of the Board of the Company held, at which the “Proposal for Additional Poverty Alleviation Funds to Jingning County” and the “Proposal for the Renewal of the Securities and Financial Products Transaction Framework Agreement between the Company and Galaxy Financial Holdings and the Determination of the Caps on Connected Transactions for 2020-2022” were considered and passed.
- (9) On 20 December 2019, the 56th meeting (regular) of the third session of the Board of the Company was held, at which the “Proposal for Reviewing the Appointment of Mr. Chen Liang as the Vice Chairman of the Company”, the “Proposal for Reviewing the Appointment of Mr. Chen Liang as a Member of the Special Committee of the Board of the Company”, the “Proposal for Reviewing and Approving the Resignation of Ms. Wei Xiaohui as the Vice President and a Member of the Executive Committee of the Company”, and the “Proposal for the Remuneration Settlement Plan of Senior Management for 2018” were considered and passed.
- (10) On 24 December 2019, the fifth meeting of non-executive Directors of the third session of the Board of the Company was held to communicate and exchange views on matters related to the construction of the Board and the operation and management of the Company.

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

Nil

(v) Term of office of non-executive Directors

Currently, the Company has 4 non-executive Directors and 3 independent non-executive Directors, all of whom are appointed for a term of three years.

SECTION IX CORPORATE GOVERNANCE REPORT

(vi) Duties of the Board of Directors and the management

The powers and duties of the Board and the management are clearly set out in the Articles of Association, which provides for an adequate check and balance mechanism to ensure good corporate governance and internal control.

The duties of the Board includes convening general meetings, executing the resolutions passed at general meetings, determining the business and investment plans of the Company, determining the establishment of internal management organizations, appointing or dismissing the general manager (president), the secretary of the Board and the compliance officer, appointing or dismissing the deputy general manager (vice-president), the finance manager and other senior management officers according to the nomination by the general manager (president) and determining their remuneration and incentive and punishment, establishing the basic administrative systems of the Company and supervising, reviewing and evaluating the establishment and execution of the various internal control systems of the Company.

The management of the Company, among other things, organizes the implementation of resolutions of the Board, organizes the implementation of the annual business and investment plans of the Company, consistently executes the financial budget of the Company, formulates the specific rules of the Company and decides on the employment and dismissal of employees.

During the Reporting Period, except that the Chairman of the Company performed the duties of the President during the period after Mr. Gu Weiguo ceased to be the President and before Mr. Chen Liang became the President (from 14 March 2019 to 11 June 2019), the roles of the chairman of the Board and general manager were separate in order to ensure the independence of their respective responsibilities and the balanced distribution of authorities. During the Reporting Period, the chairman of the Board was Mr. Chen Gongyang, and the general manager was Mr. Chen Liang (Mr. Gu Weiguo prior to 14 March 2019), and their responsibilities and authorities are clearly divided and shown in the Articles of Association. The chairman of the Board is also the legal representative of the Company.

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

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(vii) Training for Directors

No.	Date of training	Main content	Directors who attend the meeting
1	21 February 2019	Certain amendments to the provisions of the Stock Exchange Listing Rules and notes for reviewing the annual report of the issuer	Chen Gongyan, Gu Weiguo, Shi Xun, Liu Dingping, Wu Chengming, Luo Lin, Liu Ruizhong, Wu Yuwu, Wang Zhenjun, Li Chaoyang
2	14 June 2019	"Guidelines on Environmental, Social and Governance Reporting" of the Hong Kong Stock Exchange", "Answers to Questions Related to Corporate Governance, Director Responsibilities, Diversification Policies in CG Code and Relevant Listing Rules"	Chen Gongyan, Liu Dingping, Xiao Lihong, Zhang Tianli, Liu Ruizhong, Wang Zhenjun, Liu Chun, Wang Zelan
3	26 July 2019	The "4th Training Course of 2019 for Directors and Supervisors of Listed Companies within the Territory of Beijing" held by the Listed Companies Association of Beijing	Wang Zelan
4	15 October 2019	The "6th Training Course of 2019 for Directors and Supervisors of Listed Companies within the Territory of Beijing" held by the Listed Companies Association of Beijing	Xiao Lihong
5	28 October 2019	Newly revised "Code for Corporate Governance for Listed Companies" and Compliance Operation of Listed Companies	Chen Gongyan, Liu Dingping, Xiao Lihong, Zhang Tianli, Liu Ruizhong, Wang Zhenjun, Liu Chun, Wang Zelan

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IV. COMPOSITION AND OPERATION OF SPECIAL COMMITTEES UNDER THE BOARD

The Strategy and Development Committee, the Compliance and Risk Management Committee, the Nomination and Remuneration Committee and the Audit Committee have been established under the Board. The Committees shall assist with the work of the Board within the terms of reference specified in the rules of procedure, be responsible for the Board and report to the Board. At the End of the Reporting Period and as of 27 March 2020, the composition of each special committee under the Board is as follows:

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

Notes:

- Mr. Shi Xun resigned as a Director of the Company and ceased to act as the chairman of the Compliance and Risk Management Committee, and a member of each of the Strategy and Development Committee, the Nomination and Remuneration Committee and the Audit Committee on 26 February 2019.
- Mr. Wu Chengming resigned as a Director of the Company and ceased to act as a member of each of the Strategy and Development Committee and the Compliance and Risk Management Committee on 26 February 2019.
- Mr. Luo Lin resigned as an independent Director of the Company and ceased to act as the chairman of the Audit Committee, and a member of each of the Strategy and Development Committee and the Nomination and Remuneration Committee on 26 February 2019.
- As approved at the 48th meeting of the third session of the Board on 26 February 2019, it was agreed that Ms. Xiao Lihong acted as a member of each of the Strategic and Development Committee and the Compliance and Risk Management Committee; Mr. Zhang Tianli acted as a member of each of the Strategic and Development Committee, the Compliance and Risk Management Committee and the Audit Committee; Ms. Liu Chun acted as the chairman of the Audit Committee and a member of each of the Nomination and Remuneration Committee and the Compliance and Risk Management Committee; Ms. Wang Zelan was elected to act as a member of the Compliance and Risk Management Committee; Mr. Liu Dingping ceased to be a member of the Audit Committee, and was re-designated to be the chairman of the Compliance and Risk Management Committee and a member of the Nomination and Remuneration Committee; and Mr. Wu Yuwu and Mr. Li Chaoyang ceased to be a member of the Strategy and Development Committee.
- Mr. Li Chaoyang resigned as an employee Director of the Company and ceased to act as a member of each of the Strategy and Development Committee, the Nomination and Remuneration Committee and the Compliance and Risk Management Committee on 26 February 2019.
- After the approval of "the Proposal for the Removal of Mr. Gu Weiguo from the Position of Director of the Company" at the 2018 annual general meeting held on 28 May 2019, Mr. Gu Weiguo ceased to act as a Director of the Company and a member of each of the Strategy and Development Committee and the Compliance and Risk Management Committee.
- On 29 May 2019, Mr. Wu Yuwu passed away due to illness and ceased to act as an Independent Director of the Company and a member of each of the Nomination and Remuneration Committee and the Audit Committee.
- As approved at the 56th meeting of the third session of the Board on 20 December 2019, it was agreed that Mr. Chen Liang acted as a member of each of the Strategy and Development Committee and the Compliance and Risk Management Committee.

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(i) Strategy and Development Committee

1. *Functions of the Committee*

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

2. *Work summaries and meetings of the Committee*

During the Reporting Period, the Strategy and Development Committee convened 2 meetings, at which in-depth studies and deliberation of significant matters were conducted in respect of the Company's profit distribution plan, general mandate to issue shares and work focus of the Board in 2019. Recommendations were made to the Board, which effectively assisted the Board in carrying out related work.

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

- (1) On 14 March 2019, the 19th meeting of the Strategy and Development Committee under the third session of the Board of the Company was held, at which the "Proposal for Reviewing the Profit Distribution Plan of China Galaxy Securities Co., Ltd. for 2018", the "Proposal for Reviewing the General Mandate to Issue Shares of the Company", the "Proposal for Disbursing 30 Million from the Company's General Account for Poverty Alleviation in 2019", the "Work Report of the Board for 2018" and the "Duty Performance Report of the Strategy and Development Committee of the Board for 2018" and amendments to the Articles of Association and other related governance systems were preliminarily reviewed and approved for submission to the Board for review, and the "Work Focus of the Board in 2019" was discussed.
- (2) From 4 to 5 July 2019, the 20th meeting of the Strategy and Development Committee under the third session of the Board of the Company was held, at which the special report on international business sub-plans, the special report on wealth management sub-plans, the special report on investment and financing system sub-plans, the special report on the Intelligent Galaxy sub-plan, the special report on the risk control system construction sub-plan, the special report on M&A and capital replenishment were heard.

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3. Attendance of members at meetings during the Reporting Period

Name of members	Required attendance at meetings	Actual attendance
Chen Gongyan	2	2
Gu Weiguo (resigned during the Reporting Period)	1	0
Chen Liang	0	0
Shi Xun (resigned during the Reporting Period)	0	0
Liu Dingping	2	2
Wu Chengming (resigned during the Reporting Period)	0	0
Xiao Lihong	2	2
Zhang Tianli	2	2
Luo Lin (resigned during the Reporting Period)	0	0
Wu Yuwu (resigned during the Reporting Period)	0	0
Liu Ruizhong	2	2
Wang Zhenjun	2	1
Li Chaoyang (resigned during the Reporting Period)	0	0

(ii) Compliance and Risk Management Committee

1. Functions of the Committee

The main duties and responsibilities of the Compliance and Risk Management Committee are: to review the Company's risk management policies and risk standards, as well as the fundamental concepts and scope of compliance management, to review and provide comments on the overall target and basic policies of compliance and risk management, to supervise and monitor the development of risk and compliance management systems of the Company, to formulate the Company's corporate governance policies, and to monitor its implementation, to review and monitor the Company's policies regarding compliance with laws and regulatory rules as well as its implementation, to monitor the effective implementation of risk and compliance management by the management of the Company and to evaluate the performance of the senior management in charge of risk and compliance management, and other matters authorized by the Board. For the specific duties and responsibilities of the Compliance and Risk Management Committee, please refer to the "Rules of Procedure of the Compliance and Risk Management Committee of the Board of Directors of the Company", which have been published on the website of the Company.

2. Work summaries and meetings of the Committee

During the Reporting Period, the Compliance and Risk Management Committee convened 5 meetings and preliminarily reviewed the annual and interim compliance reports, the report of risk management and anti-money laundering work report, and heard special reports on reform of risk authorization system and business risks of the Company. The Committee effectively assisted the Board in carrying out its work and provided professional support for the Board in its decision-making.

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

- (1) On 14 March 2019, the 13th meeting of the Compliance and Risk Management Committee under the third session of the Board was held, at which the “Proposal for Reviewing the Compliance Report of China Galaxy Securities Co., Ltd. for 2018”, the “Proposal for Reviewing the Risk Management Report of China Galaxy Securities Co., Ltd. for 2018”, the “Report on the Anti-Money Laundering Work of China Galaxy Securities Co., Ltd. for 2018” and the “Duty Performance Report of the Compliance and Risk Management Committee for 2018” were preliminarily reviewed and approved for submission to the Board for review.
- (2) On 4 July 2019, the 14th meeting of the Compliance and Risk Management Committee under the third session of the Board was held, at which the special report on reform of risk authorization system of the Company, the special report on risk prevention and control in key business areas, and the study and determination of the current market situation were heard.
- (3) On 26 August 2019, the 15th meeting of the Compliance and Risk Management Committee under the third session of the Board was held, at which the “Proposal for Reviewing the Interim Compliance Report of China Galaxy Securities Co., Ltd. for 2019” were preliminarily reviewed and approved for submission to the Board for review.
- (4) On 28 October 2019, the 16th meeting of the Compliance and Risk Management Committee under the third session of the Board was held, at which the “Proposal for Reviewing the Anti-Money Laundering and Anti-Terrorism Financing Management System (Amendment) of China Galaxy Securities Co., Ltd.” were preliminarily reviewed and approved for submission to the Board for review.
- (5) On 24 December 2019, the 17th meeting of the Compliance and Risk Management Committee under the third session of the Board was held, at which the report on business risks and estimated provision for impairment loss, the report on risk management of overseas subsidiary of the Company, the report on the implementation of key risk management work of the Company, the comprehensive risk investigation report on the sponsorship, financial advisory and NEEQ business continuous supervision projects for 2019, the report on compliance and supervision work of the Company for 2019, and the report on cases prevention and control work of the Company were heard.

3. Attendance of members at meetings during the Reporting Period

Name of members	Required attendance at meetings	Actual attendance
Shi Xun (resigned during the Reporting Period)	0	0
Gu Weiguo (resigned during the Reporting Period)	1	0
Chen Liang	1	1
Wu Chengming (resigned during the Reporting Period)	0	0
Liu Dingping	5	5
Xiao Lihong	5	5
Zhang Tianli	5	5
Wang Zhenjun	5	4
Liu Chun	5	5
Li Chaoyang (resigned during the Reporting Period)	0	0
Wang Zelan	5	5

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(iii) Nomination and Remuneration Committee

1. *Functions of the Committee*

The main duties and responsibilities of the Nomination and Remuneration Committee are: to make recommendations to the Board on the size and composition of the Board and the Board committees based on the operations, the total amount of assets and the equity structure of the Company, to make recommendations to the Board on the number and composition of the senior management based on the Company's requirements of business operation as well as the requirements of the regulatory authorities, to review the selection criteria and procedures for Directors and senior management and to make recommendations to the Board, to search broadly for qualified individuals as candidates for Directors and senior management, to conduct review of the qualifications and conditions of the candidates for Directors based on the selection criteria and procedures and to make recommendations to the Board, to review the qualifications and conditions of the candidates for general manager (president), chief compliance officer and secretary to the Board as nominated by the chairman, as well as the candidates for deputy general manager (vice president), chief financial officer and other senior management officers as nominated by the general manager (president), based on the selection criteria and procedures and to make recommendations to the Board, to make recommendations to the Board on the candidates for members of other special committees under the Board, to formulate development plans of the senior management and training plans of key candidates and to make recommendations to the Board, to review and provide opinions on the assessment and remuneration management systems for Directors and senior management, to formulate the criteria and the procedures for the review of the performance of Directors and senior management and to implement and provide opinions on the performance review of Directors and senior management, to formulate salary incentive policies and plans for Directors (including non-executive Directors) and senior management and to make recommendations to the Board, to make recommendations to the Board on the specific remuneration of executive Directors, Supervisors and senior management (including non-monetary benefits, pension rights and compensation for loss or termination of office or appointment), to review the Company's basic remuneration management system and policies and to evaluate their effectiveness, and other matters authorized by the Board. For specific duties and responsibilities of the Nomination and Remuneration Committee, please refer to the "Rules of Procedure of the Nomination and Remuneration Committee of the Board of Directors of the Company", which have been published on the website of the Company and the HKExnews website of the Hong Kong Stock Exchange.

2. *Work summaries and meetings of the Committee*

During the Reporting Period, the Nomination and Remuneration Committee convened 5 meetings, at which the Committee mainly discussed and studied the remuneration and settlement of senior management as well as the qualifications and conditions of the candidates for Directors and senior management officers, which provided professional support for the decision-making by the Board.

Details of the meetings of the Nomination and Remuneration Committee are set out below:

- (1) On 14 March 2019, the 19th meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the "Duty Performance Report of the Nomination and Remuneration Committee of the Company for 2018" was preliminarily reviewed and approved for submission to the Board for review and the matters related to removal of president were discussed.
- (2) On 4 June 2019, the 20th meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the committee preliminarily reviewed the qualification and condition of Mr. Chen Liang to serve as the president of the Company and a member of the Executive Committee and discussed the recommendation of Mr. Chen Liang as a candidate for Director of the Company.

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- (3) On 3 July 2019, the 21st meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the special report on human resource system reform (including market-oriented assessment programs for senior management officers) and the special report on the construction of assessment and incentive system were heard.
- (4) On 28 October 2019, the 22nd meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the “Proposal for the Appointment of Mr. Chen Liang as the Chief Risk Officer of the Company” was preliminarily reviewed and approved for submission to the Board for review.
- (5) On 20 December 2019, the 23rd meeting of the Nomination and Remuneration Committee under the third session of the Board was held, at which the “Proposal for Reviewing the Appointment of Mr. Chen Liang as the Vice Chairman of the Company”, the “Proposal for Reviewing the Appointment of Mr. Chen Liang as a Member of the Special Committee of the Board of the Company”, the “Proposal for Reviewing and Approving the Resignation of Ms. Wei Xiaohui as the Vice President and a Member of the Executive Committee of the Company”, and the “Proposal for the Remuneration Settlement Plan of Senior Management for 2018” were preliminarily reviewed and approved for submission to the Board for review.

3. Attendance of members at meetings during the Reporting Period

Name of members	Required attendance at meetings	Actual attendance
Liu Ruizhong	5	5
Luo Lin (resigned during the Reporting Period)	0	0
Liu Dingping	5	5
Wang Zhenjun	5	4
Liu Chun	5	5
Wu Yuwu (resigned during the Reporting Period)	1	1
Li Chaoyang (resigned during the Reporting Period)	0	0

(iv) Audit Committee

1. Functions of the Committee

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

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2. *Work summaries and meetings of the Committee*

The Audit Committee held a total of 7 meetings, at which the Committee mainly studied and reviewed matters such as the annual report for 2018 and the interim report for 2019, the internal control self-assessment report for 2018, the environmental, social and governance report for 2018 and the quarterly reports of the Company; and listened to the report on the progress of external audit and audit results from the accountancy firm and the report on the information work of connected parties for each quarter.

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

- (1) On 18 February 2019, the 28th meeting of the Audit Committee under the third session of the Board was held, at which the “Report on the Information Work of Connected Parties in the Fourth Quarter of 2018” was considered and approved.
- (2) On 14 March 2019, the 29th meeting of the Audit Committee under the third session of the Board was held, at which the “Proposal for Reviewing the Final Accounts Plan of China Galaxy Securities Co., Ltd. for 2018”, the “Proposal for Reviewing the Annual Report of China Galaxy Securities Co., Ltd. for 2018”, the “Proposal for Reviewing the Social Responsibility & Environmental, Social and Governance Report of China Galaxy Securities Co., Ltd. for 2018”, the “Proposal for Reviewing the Report on the Internal Control Appraisal of the Company for 2018”, the “Duty Performance Report of the Audit Committee of the Board of Directors for 2018” were preliminarily reviewed and approved for submission to the Board for review; the “Compliance Management Effectiveness Assessment Report for 2018”, the “Request for Instruction on the Appointment of Additional Intermediaries to Complete the Audit on Branches in 2019”, the “Request for Instruction on the Appointment of External Auditors of the Company for 2019” were considered and approved, and the report of external auditors on the annual audit work for 2018 was heard.
- (3) On 22 April 2019, the 30th meeting of the Audit Committee under the third session of the Board was held, at which the “Proposal for Reviewing the First Quarterly Report of the Company for 2019” was preliminarily reviewed and approved for submission to the Board for review, the “Report on the Information Work of Connected Parties in the First Quarter of 2019”, the “Request for Instruction on the Work Plan of Internal Audit in 2019”, the “Request for Appointment of LixinZhonglian CPAs and Zhongxinhua Certified Public Accountants LLP as the External Auditors of the Branches” were considered and approved.
- (4) On 24 April 2019, the 31st meeting of the Audit Committee under the third session of the Board was held, at which the “Report on the Audit of Connected Transactions Management of the Company for 2018” was discussed.
- (5) On 3 July 2019, the 32nd meeting of the Audit Committee under the third session of the Board was held, at which the “Report on Audit Inspection and Rectification” was heard.
- (6) On 16 August 2019, the 33rd meeting of the Audit Committee under the third session of the Board was held, at which the “Proposal for Reviewing the Interim Report of China Galaxy Securities Co., Ltd. for 2019” was preliminarily reviewed and approved for submission to the Board for review; the “Report on the Information Work of Connected Parties in the Second Quarter of 2019” and the “Management Proposal for 2018” were considered and approved; and the report of external auditors on the interim review for 2019 was heard.

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- (7) On 28 October 2019, the 34th meeting of the Audit Committee under the third session of the Board was held, at which the “Proposal for Reviewing the Third Quarterly Report of China Galaxy Securities Co., Ltd. for 2019”, the “Proposal for the Renewal of the Securities and Financial Products Transaction Framework Agreement between the Company and Galaxy Financial Holdings and the Determination of the Caps on Connected Transactions for 2020-2022” were preliminarily reviewed and approved for submission to the Board for review; the “Report on the Information Work of Connected Parties in the Third Quarter of 2019” was considered and approved.

3. Attendance of members at meetings during the Reporting Period

Name of members	Required attendance at meetings	Actual attendance
Luo Lin (resigned during the Reporting Period)	1	1
Liu Chun	6	6
Shi Xun (resigned during the Reporting Period)	1	1
Wu Yuwu (resigned during the Reporting Period)	4	3
Zhang Tianli	6	6
Liu Ruizhong	7	7
Wang Zhenjun	7	6

V. OPERATION OF THE SUPERVISORY COMMITTEE

(i) Meetings of the Supervisory Committee

The Supervisory Committee performs its responsibilities and duties in accordance with the requirements of related laws and regulations and the Articles of Association and the Rules of Procedure of the Supervisory Committee. The Supervisory Committee held a total of 7 meetings in 2019, details of the meetings are as follows:

- On 26 February 2019, the “Proposal for Adjustment to the Composition of the Performance Monitoring Committee and the Financial Monitoring Committee of the Supervisory Committee of China Galaxy Securities Co., Ltd.” was considered and passed at the first extraordinary meeting of 2019 of the third session of the Supervisory Committee.
- On 27 March 2019, at the first regular meeting of 2019 of the third session of the Supervisory Committee, the “Work Report of the Supervisory Committee of China Galaxy Securities Co., Ltd. for 2018”, the “Final Accounts Plan of China Galaxy Securities Co., Ltd. for 2018”, the “Profit Distribution Plan of China Galaxy Securities Co., Ltd. for 2018”, the “Annual Compliance Report of China Galaxy Securities Co., Ltd. for 2018”, the “Risk Management Report of China Galaxy Securities Co., Ltd. for 2018”, the “Internal Control Assessment Report of China Galaxy Securities Co., Ltd. for 2018”, the “Annual Report of China Galaxy Securities Co., Ltd. for 2018” and the “Social Responsibility & Environmental, Social and Governance Report of China Galaxy Securities Co., Ltd. for 2018” were considered and passed, and were approved for submission to the annual general meeting for 2018 of the Company for consideration.

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3. On 24 April 2019, the “Proposal for Reviewing the First Quarterly Report of China Galaxy Securities Co., Ltd. for 2019” was considered and passed at the second extraordinary meeting of 2019 of the third session of the Supervisory Committee.
4. On 27 August 2019, the “Interim Report of China Galaxy Securities Co., Ltd. for 2019” was considered and passed at the second regular meeting of 2019 of the third session of the Supervisory Committee.
5. On 28 October 2019, the “Proposal for Reviewing the Third Quarterly Report of China Galaxy Securities Co., Ltd. for 2019”, the “Supervision Measures for the Supervisory Committee of China Galaxy Securities Co., Ltd.” and the “Seal Management Measures for the Supervisory Committee of China Galaxy Securities Co., Ltd.” were considered and passed at the third extraordinary meeting of 2019 of the third session of the Supervisory Committee.
6. On 12 November 2019, the “Resolution in relation to the Connected Transaction Review Opinions on the Renewal of Securities and Financial Products Transactions Framework Agreement between the Company and Galaxy Financial Holdings and Setting of the Cap for Connected Transaction for 2020-2022” was considered and passed at the fourth extraordinary meeting of 2019 of the third session of the Supervisory Committee.
7. On 20 December 2019, the “Proposal for Reviewing the Settlement Plan for the Remuneration of Former Full-time Supervisor Zhong Cheng for the First Half of 2018” was considered and passed at the fifth extraordinary meeting of 2019 of the third session of the Supervisory Committee.

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

Name of Supervisors	Position	Required attendance during the year	Actual attendance	Of which:		
				On-site attendance	Attendance by telephone	Attendance by proxy
Chen Jing	Chairman of the Supervisory Committee	7	7	6	1	0
Tao Libin	External Supervisor	7	7	6	1	0
Fang Yan	External Supervisor	7	7	4	1	2
Liu Zhiyi (resigned after the Reporting Period)	Employee Supervisor	7	7	7	0	0
Chen Jijiang	Employee Supervisor	7	7	7	0	0
Number of Supervisory Committee meetings convened during the year					7	
Of which						
On-site attendance meetings held					4	
On-site and telephone attendance meetings held					3	

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(iii) The Supervisory Committee discovered whether the Company had any risk under its supervision during Reporting Period

Under its supervision during the Reporting Period, the Supervisory Committee identified no significant risk matters on the Company. The Company has treated the general risk matters identified and made relevant disclosures in accordance with the corresponding procedures.

(iv) Supervisor trainings

Date of training	Training contents	Training participants
3 July 2019	Third special training course of 2019 for directors and supervisors of listed companies within the territory of Beijing	Fang Yan
17 September 2019	"Clarifying Responsibilities, Implementing Accountability" special training course for anti-money laundering rectification	Chen Jing, Liu Zhiyi, Chen Jijiang
6 November 2019	Seventh special training course of 2019 for directors and supervisors of listed companies within the territory of Beijing	Tao Libin
3 December 2019	Training for supervisors of the Company and its subsidiaries	Chen Jing, Tao Libin, Fang Yan, Liu Zhiyi, Chen Jijiang
25 December 2019	Ninth special training course of 2019 for directors and supervisors of listed companies within the territory of Beijing	Tao Libin

VI. STATEMENTS OF THE COMPANY ON INABILITY TO MAINTAIN THE INDEPENDENCE OR INABILITY TO MAINTAIN INDEPENDENT OPERATIONS BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDERS WITH RESPECT TO BUSINESS, PERSONNEL, ASSETS, ORGANIZATION AND FINANCE

During the Reporting Period, the Company was able to maintain the independence from its controlling shareholder with respect to business, personnel, assets, organization and finance, and the ability of the Company to operate independently had not been affected.

VII. ESTABLISHMENT AND IMPLEMENTATION OF APPRAISAL AND INCENTIVE MECHANISMS FOR SENIOR MANAGEMENT OFFICERS DURING THE REPORTING PERIOD

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

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VIII. ESTABLISHMENT AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM

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

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

The Board has completed an evaluation on the internal controls of the Group according to the requirements of the "Basic Internal Control Norms for Enterprises", the Stock Exchange Listing Rules, the SSE Listing Rules and the relevant requirements of laws and regulations. According to the identification standards for defects in internal control over financial reporting of the Company, as at the reference date of internal control assessment (as at 31 December 2019), there was no material defect or important defect in the Group's internal control over the financial reporting. According to the identification standards for defects in internal control over non-financial reporting of the Company, as at the reference date of internal control assessment, there was no material defect or important defect in the Group's internal control over the non-financial reporting. In the opinion of the Board, the Group has maintained, in all material respects, effective internal control in accordance with the system of the internal control norms for enterprises and the relevant provisions.

The Board will further improve the environment and structure of internal control of the Company to enable them to provide the guarantee for the operation decision-making and stable development of the Group. With the gradual deepening of the national laws and regulations and the continuous development of the Group's business, the Company will further improve and perfect the internal control mechanism to gradually improve and constantly enhance the standard of corporate governance.

(ii) Basis for Establishment of Financial Reporting Internal Control

In accordance with the "Basic Internal Control Norms for Enterprises" and the "Supporting Guidelines on Internal Control of Companies" jointly issued by the Ministry of Finance, the CSRC, the Audit Office, the CBRC and the CIRC, the "Guidelines on Internal Control of Securities Companies" issued by the CSRC and the "Guidelines on Internal Control of Listed companies on Shanghai Stock Exchange" issued by the SSE, the Group has established a sound financial reporting internal control system and the relevant rules and regulations in respect of accounting and audit, financial management, financial reporting and accounting information system. Through setting up a scientific financial management organization with qualified financial accounting professionals, establishing completed financial accounting management system, and adopting appropriate accounting policies and reasonable accounting estimates, the Group has ensured that the financial statements prepared by it meet the requirements of accounting standards and give a true, accurate and complete view of the financial position and results of operation of the Company.

SECTION IX CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Group had a sound internal control system for financial reporting and the system operated well. Based on the result of identification of major defects in internal control over financial accounting of the Company, as at the reference date of internal control assessment, the Group had no material defect or important defect in internal control in respect of financial reporting.

(iii) Internal control development

The Group has continually committed to the construction of internal control management system since its establishment. Under the “Basic Internal Control Norms for Enterprises” and the “Guidelines for Internal Control of Securities Companies”, the Group continued to improve the internal control system and applied it throughout the operational development of the Company.

During the Reporting Period, the Group timely tracked regulatory changes, formulated integrity practice rules and risk limit management measures according to the relevant regulations and latest requirements of regulatory authorities, and revised and improved the relevant business system and supporting rules and the rules for self-owned capital management, subsidiary management and Chinese wall management, which ensured the healthy development of all businesses subject to compliance with laws and regulations and under controllable risks. At the same time, through the effective strengthening of the unified management and control of subsidiaries, we realized the full coverage of compliance and risk management in subsidiaries, effectively preventing conflicts of interest and benefit transfer.

As of the End of the Reporting Period, the Group has established an internal control system that is compatible with the nature, scale and complexity of the Company’s business. It can reasonably guarantee the legality and compliance of the Company’s operation and management, asset security, financial report and related information, and improve operational efficiency and effectiveness. The Company has established relevant rules including the comprehensive administrative measures for Chinese walls and the insider registration system in accordance with regulatory requirements to strengthen the management of sensitive information and inside information, strictly comply with business restrictions and effectively prevent inappropriate use and dissemination of sensitive information. In addition, the Group has also established the material information internal reporting and public disclosure systems in accordance with laws and regulations, the listing rules for Shanghai and Hong Kong and the Articles of Association to set out clear responsibilities and procedures for significant information reporting and disclosure, and material mistake accountability system, in order to ensure the information disclosed is true, accurate and complete and that all stakeholders of the Group have equal access to relevant information of the Company in a timely manner.

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

SECTION IX CORPORATE GOVERNANCE REPORT

(iv) Evaluation of the effectiveness of internal control

The Company has a mechanism for internal control governance. The audit department of the Company conducts audit on the revenue and expenditure of the main operating units of the Group and their operations and organizes a self-evaluation on the effectiveness of the Company's internal control system annually in accordance with the annual audit plan approved by the Audit Committee of the Board. If deficiencies in internal control are identified, the Company will promptly adopt rectification measures.

The Group has carried a self-evaluation on the effectiveness of internal control during the year. According to the identification standards for defects in internal control over financial reporting and non-financial reporting, as at the reference date of internal control assessment (as at 31 December 2019), there was no material defect or important defect in the Group's internal control. Between the reference date of internal control assessment report and the issue date of internal control assessment report, there was no factors affecting the validity of the conclusion of the internal control assessment of the Group.

The Board understands that the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has reviewed the effectiveness of the Group's risk management and internal control systems and believes that the risk management and internal control systems were effective and sufficient during the Reporting Period.

IX. DEVELOPMENT OF COMPLIANCE MANAGEMENT SYSTEM, AND INSPECTION AND AUDIT COMPLETED BY THE COMPLIANCE DEPARTMENT AND THE AUDIT DEPARTMENT DURING THE REPORTING PERIOD

(i) Development of Compliance Management System

During the Reporting Period, the development of compliance management system is as follows:

(1) Improve compliance management organizational structure and provide organizational guarantee

Pursuant to the requirements of the "Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies" issued by the CSRC and the "Guidelines for the Implementation of Compliance Management of Securities Companies" issued by the Securities Association of China, the Company established a multilevel compliance management system covering the Board of Directors and the Compliance and Risk Management Committee under the Board of Directors, the Supervisory Committee, the senior management, the Chief Compliance Officer, the Legal and Compliance Department, persons-in-charge and compliance managers of subordinated units (which refer to the business lines, departments, branches and subsidiaries) and all staff members, and correspondingly defined the respective compliance management responsibilities that shall be fulfilled by them. During the Reporting Period, in order to further ensure the effective performance of compliance management in view of its multi-level compliance management system and adapt to the Company's strategic development and ensure the operational compliance of key business of the Company, and in accordance with the work thinking of "key business benchmarking, performing special duties, reserving room for development", the Company combined, consolidated and adjusted its original compliance team and special management functions, and set up second-level departments or management teams to enhance the expertise and effectiveness of the compliance management system of the Company.

SECTION IX CORPORATE GOVERNANCE REPORT

(2) Further optimize the penetration compliance management system and improve the efficiency of internal compliance management of the Company

During the Reporting Period, the Company further optimized its compliance management system in a top-down manner, including compliance management department, compliance teams of business departments and compliance personnel of branches and subsidiaries. Through the “standardization and regulation” in areas including compliance management tools, compliance review standards, compliance inspection drafts, compliance monitoring indicators and compliance assessment procedures, the efficiency of duty performance of compliance management personnel at all levels was improved. In addition, the Company formulated tailor-made compliance management plans in accordance with the penetration compliance management requirements and the scopes and characteristics of business of different subsidiaries. It explored establishing differentiated compliance management models for different types of subsidiaries and building a standardized supervision management model using notice letters, attention letters and warning letters. It emphasized the role of “systematization and informatization” in improving the effectiveness of compliance management, and successively completed the launch and improvement of anti-money laundering, employee investment behavior, client transaction behavior, real name account, Chinese wall and compliance and anti-money laundering systems during the year.

(3) Adhere to the “risk-based” management principle in implementing anti-money laundering work to improve the Company’s ability to prevent money laundering risk

The Company adhered to the “risk-based” management principle and continued to organize all subordinated units to implement various anti-money laundering basic work and key tasks, and enhanced the Company’s overall anti-money laundering work level and money laundering risk prevention capabilities. Such work included improving the Company’s anti-money laundering system; continuously optimizing the system functions and processes, and improving the new comprehensive anti-money laundering monitoring system; conducting multi-dimensional assessment and inspection, strengthening money laundering risk management; commencing continuous publicity and training to establish anti-money laundering compliance culture; and actively cooperating with anti-money laundering regulation.

(4) Improve the management of Chinese walls, conflicts of interest and staff practice to provide compliance protection for the business of the Company

The Company continuously increased the management standard of Chinese walls and conflicts of interest, improved the Chinese wall system functions, and completed special inspections of Chinese walls of key business lines; consolidated the embedded business system process for conflicts of interest management, post setting and staffing for conflicts of interest management, identification and assessment of conflicts of interest, conflicts of interest management measures and avoidance of conflicts of interest; and carried out inspections of staff accounts and securities investment behaviors and training and publicity for hot issues and typical violations of laws and regulations.

SECTION IX CORPORATE GOVERNANCE REPORT

(ii) Inspections completed by compliance department

During the Reporting Period, according to the requirements of regulatory authorities, the material risk events in the market and the major issues reflected in the management of the Company, the Company conducted key compliance inspections, including: the annual compliance inspection of the basic management of all branches and subsidiaries and key businesses, the special compliance inspection conducted by branches, inspection of new business branches, inspection of customer transaction behavior management, inspection of the management of investors suitability, the compliance inspection of bond business and investment banking business, the anti-money laundering inspection, interest conflict inspection and Chinese wall inspection of business lines, branches and subsidiaries, and the inspection of integrity practice of employees of branches.

(iii) Inspections and audits completed by the audit department

During the Reporting Period, the internal audit of the Company continued to adhere to the risk-oriented, internal control-focused and value adding-targeted mission, and mainly audited the high-risk businesses concerned by the Company's headquarters, securities branches and regulatory authorities. During the Reporting Period, the audit department of the Company organized and completed a total of 187 audit projects, including an annual self-evaluation on the internal control of the Company, an annual assessment on the compliance effectiveness, 9 audit projects of securities investment fund custody business, private equity investment fund service business, stock pledge business, connected transaction management, procurement management, human resource management internal control and audit and anti-money laundering management tracking audit of the Company; 3 audit projects of out-going persons-in-charge of securities financial headquarters, market-making business headquarters and first investment banking department; 3 out-going and special audit projects of persons-in-charge of subsidiaries; 6 audit projects of out-going persons-in-charge of branches; 104 audit projects of internal control of securities branches, and 62 audit projects of economic liabilities of persons-in-charge of securities branches.

X. MISCELLANEOUS

(i) Rights of shareholders

The Company convenes and holds general meetings in strict compliance with the relevant requirements of the Articles of Association, and the rules of procedure of the general meetings, ensuring all shareholders, in particular medium and small shareholders, are able to enjoy equal status and sufficiently exercise their respective rights. All Directors, Supervisors and the senior management of the Company attended the general meetings and answered questions from shareholders in accordance with the provisions of the Articles of Association.

(ii) Compliance with the code on securities transactions

The Company has adopted the Model Code for securities transactions by Directors and Supervisors. The Company has made specific enquiries to all Directors and Supervisors concerning the compliance with the Model Code. All Directors and Supervisors confirmed that they have complied with all standards set out in the Model Code during the Reporting Period.

(iii) Responsibilities of Directors for the financial statements

The following responsibility statement of Directors regarding the financial statements shall be read in conjunction with the responsibility statement of the public certified accountants included in the Independent Auditor's Report of this report. Each responsibility statement shall be understood separately.

All Directors acknowledge and confirm that they have responsibilities to compile the financial statements which truly reflects the business results of the Company in each financial year. To the best knowledge of all Directors, there are no events or situations which may cause any material adverse impact on the ongoing operations of the Company.

SECTION IX CORPORATE GOVERNANCE REPORT

(iv) Appointment and remuneration of auditing firms

With the approval by the 2018 annual general meeting, the Company reappointed Ernst & Young Hua Ming LLP and Ernst & Young as the Company's external auditors for 2019 to be responsible for the provision of related audit services and review services in accordance with the PRC Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively.

Deloitte Touche Tohmatsu Certified Public Accountants LLP had been acting as the external auditor of the Company for 8 years from 2011 to 2018. In accordance with the requirement of the "Administrative Measures for Appointment of Accounting Firms by Financial Enterprises" issued by the Ministry of Finance (Cai Jin [2016] No. 12) that a financial enterprise shall not reappoint an accounting firm for more than 8 years, the Company has appointed its external auditor for 2019 through bidding.

Name of the PRC accounting firm:	Ernst & Young Hua Ming LLP
Signing auditors:	Liang Chengjie and Song Xueqiang
Duration of service:	one year
Name of the international accounting firm:	Ernst & Young
Duration of service:	one year

Remuneration for accounting firms: In accordance with a resolution passed at the 2018 annual general meeting of the Company, the annual external audit fee of the Company in 2019 amounted to RMB4.325 million, in which the interim review fee amounted to RMB1.31 million, the annual audit fee amounted to RMB2.615 million, the annual internal control audit fee amounted to RMB310,000, and the environment, social and governance assurance fee amounted to RMB90,000. In 2019, the Company paid Ernst & Young Hua Ming LLP and Ernst & Young an annual audit fee and other audit fee of RMB1.56 million. In addition, the Company paid Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu an annual audit fee and other audit fee for 2018 of RMB5.95 million.

(v) Review by the Audit Committee

The Audit Committee has reviewed the 2019 Consolidated Financial Statements of the Company.

(vi) Company Secretary

During the Reporting Period, Mr. Wu Chengming, the secretary of the Board and the joint company secretary, was responsible for making recommendations on issues related to the corporate governance to the Board, and ensuring the policies and procedures of the Board, applicable laws, rules and regulations were strictly followed. In addition, the Company appointed Mr. Lee Kwok Fai Kenneth, a director and the head of the company secretary services department of TMF Hong Kong Limited, as our joint company secretary. The main contact person of the Company is Mr. Wu Chengming, the secretary to the Board.

According to Rule 3.29 of the Stock Exchange Listing Rules, during the Reporting Period, Mr. Wu Chengming and Mr. Lee Kwok Fai Kenneth received relevant professional training of no less than 15 hours.

SECTION IX CORPORATE GOVERNANCE REPORT

(vii) Communication with shareholders

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

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

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

Shareholders may convene an extraordinary general meeting or a class meeting pursuant to Article 71 and Article 76 of the Articles of Association and put forward proposals. Shareholders may attend and vote at general meetings in person and by proxy. The minutes, the signature book of attending shareholders and the written proxy forms shall be maintained at the address of the Company. The copies of the minutes are available to all shareholders for inspection during business hours for free. The Articles of Association have been published on the website of the Company and the HKExnews website of the Hong Kong Stock Exchange.

The Company shall arrange the Board to answer questions raised by shareholders during the 2019 annual general meeting.

(viii) Investor relations

The Company has set up an effective communication channel with investors. It carries out investor relationship maintenance work under the principles of openness and fairness and with a proactive attitude while conforming to the rules. In 2019, the Company strengthened communication and contact with the general public of domestic and overseas shareholders, potential investors, investment bank analysts and fund managers, and received over 240 person-times of all types of investors, analysts and fund managers for the whole year through participation in investment bank summits, reception of visitors, phone conference of one-to-one and one-to-many formats, phone and email communications etc. Also, the chairman of the Board, general manager and the relevant senior management staff of the Company attended the event for the release of performance results, phone conferences with analysts etc, to help investors to understand the Company and timely answered the queries of investors, seriously listened to the opinions and suggestions of investors to ensure that all investors could fully exercise their own rights and safeguard their legitimate interests. During the Reporting Period, the Company disclosed information truly, accurately, completely and timely according to the laws, regulations and regulatory requirements to ensure that investors would know the important matters of the Company in a timely manner, protecting the investors’ interests to the greatest extent.

SECTION IX CORPORATE GOVERNANCE REPORT

(ix) Board member diversity policy and Director nomination policy

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

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

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

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

Gender		Age	
Male	Female	50 to 59	60 to 69
6 persons	3 persons	7 persons	2 persons
Position			
Executive Director	Non-executive Director	Independent non-executive Director	
2 persons	4 persons	3 persons	

(x) Amendments to the Articles of Association

During the Reporting Period, the Articles of Association was not revised. According to the relevant requirements of the "Securities Law" and the "Provisions on the Administration of Equities of Securities Companies", the Company would work on the amendments to the Articles of Association and propose to the Board meetings and general meetings for consideration in due course.

SECTION X INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHINA GALAXY SECURITIES CO., LTD.

(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of China Galaxy Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 151 to 275, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

SECTION X INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Consolidation of structured entities <p>The total net assets of the consolidated structured entities, for which the Group acted as an asset manager, or both as an asset manager and investor, were RMB5,193 million as at 31 December 2019, which were significant to the consolidated financial statements. When determining whether a structured entity should be consolidated, a combination of factors need to be assessed according to the terms of the related contracts, including the Group's power over the structured entities, all variable returns obtained including investment income and management remuneration, the circumstances under which the managers of the relevant structured entities can be removed, etc. The assessment involves significant judgement and estimation of management.</p> <p>Due to the above reasons, we identified the consolidation of structured entities as a key audit matter in our audit of the consolidated financial statements.</p> <p>Relevant disclosures are included in Note 49 to the consolidated financial statements.</p>	<p>Our procedures in relation to the assessment of the consolidation scope of structured entities included:</p> <ul style="list-style-type: none">• Testing and evaluating the effectiveness of key controls of management on determining the consolidation of structured entities;• Reading, on a sample basis, the related investment contracts and service agreements in respect of the structured entities sampled from the complete list of the structured entities which the Group acted as an asset manager, or both as an asset manager and investor, to assess the appropriateness of the management's judgement of whether the Group controls these structured entities by considering the following factors:<ul style="list-style-type: none">– The relevant activities of these structured entities and how variable returns are generated;– All variable returns entitled, primarily investment income and management remuneration;– The Group's power over these structured entities and how it can affect the variable returns; and– Under what circumstances the managers of the relevant structured entities can be removed.• Evaluating whether the disclosure of the structured entities in the financial statements comply with the requirements of accounting standards.

SECTION X INDEPENDENT AUDITOR'S REPORT

Key audit matter

How our audit addressed the key audit matter

Measurement of expected credit losses ("ECLs")

As at 31 December 2019, the total carrying amount of financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income held by the Group was RMB215,450 million, and the loss allowance that had been recognized for these financial assets on the basis of ECLs are RMB1,047 million, which was significant to the consolidated financial statements.

The Group measured the loss provision for the financial instruments according to the ECL model.

To measure the ECLs, management needs to make significant judgements and estimations on determining the timing of significant increase in credit risk, dividing the assets into groups with similar credit risk characteristics, assessing the models and assumptions used and estimating the cash flows that the Group expects to receive, and the forward-looking information.

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

Relevant disclosures are included in Note 58.1 to the consolidated financial statements..

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

- Testing and evaluating the effectiveness of key controls of management on the measurement of ECLs;
- Assessing the appropriateness of the impairment model used by the management and the basis and rationality of the relevant assumptions, including the assessment basis of the key assumptions and parameters such as the judgment of significant increase in credit risk, the division of the asset group with similar credit risk characteristics, the expectation of future cash flow, and the forward-looking information;
- Examining significant data inputs into the ECL model, including probability of default, loss given rate, exposure at default, etc., and review the accuracy of the model calculation;
- For the credit-impaired asset, assessing the loss allowance computed by the management with reference to financial information of borrowers, and the fair value of collaterals, as appropriate.
- Evaluating whether the disclosure of ECL of financial assets in financial statements meets the requirements of accounting standards.

We performed the ECL model validation procedures using internal model specialists.

SECTION X INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments measured at Level 3 fair value <p>As at 31 December 2019, the Group held financial assets measured at fair value of RMB116,614 million, among which RMB4,359 million were measured at Level 3 fair value the consolidated financial statements, which were significant to the consolidated financial statements. Fair values of these financial instruments measured at Level 3 fair value were determined using valuation techniques. Selection of appropriate valuation techniques, relevant assumptions and unobservable inputs involves significant estimation of management.</p> <p>Due to the above reasons, we identified the valuation of financial instruments measured at Level 3 fair value as a key audit matter in our audit of the consolidated financial statements.</p> <p>Relevant disclosures are included in Note 59 to the consolidated financial statements.</p>	<p>Our procedures in relation to the valuation of financial instruments measured at Level 3 fair value included:</p> <ul style="list-style-type: none">• Testing and evaluating the effectiveness of key controls of management on the valuation of financial instruments measured at Level 3 fair value;• Evaluating the appropriateness and consistency of the valuation techniques used by management;• Testing and evaluating the appropriateness of the relevant assumptions and inputs used;• Evaluating the competency of valuation experts used by the management in the valuation process and involving our internal valuation specialists to assess the models used, re-performing independent valuations, to assess the reasonableness of management-related valuations.• Evaluating whether the disclosure of the fair value assessment of financial instruments measured by fair value and classified as the third level in the financial statements met the requirements of accounting standards.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

SECTION X INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

SECTION X INDEPENDENT AUDITOR'S REPORT

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Leung Shing Kit.

Ernst & Young

Certified Public Accountants

Hong Kong

27 March 2020

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2019	2018
Revenue			
Commission and fee income	6	6,171,969	5,050,751
Interest income	7	9,527,424	9,480,579
Investment income and gains or losses	8	4,896,695	945,801
		20,596,088	15,477,131
Other income and gains	9	2,897,404	757,839
Total revenue, gains and other income		23,493,492	16,234,970
Impairment losses, net of reversal	15	(410,446)	(408,348)
Depreciation and amortization	10	(715,127)	(218,485)
Staff costs	11	(4,914,796)	(3,484,571)
Commission and fee expenses	12	(398,701)	(245,372)
Interest expenses	13	(6,035,711)	(6,035,890)
Other operating expenses	14	(4,199,468)	(2,157,633)
Total expenses		(16,674,249)	(12,550,299)
Share of result of a joint venture		10,886	(2,577)
Profit before income tax		6,830,129	3,682,094
Income tax expense	16	(1,579,985)	(750,357)
Profit for the year		5,250,144	2,931,737
Profit for the year attributable to:			
Owners of the Company		5,228,429	2,887,127
Non-controlling interests		21,715	44,610
Earnings per share (Expressed in RMB per share)			
– Basic	17	0.52	0.28

The notes on pages 159 to 275 form an integral part of these consolidated financial statements.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2019	2018
Profit for the year	5,250,144	2,931,737
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss:		
Fair value gains/(losses) on investments in equity instruments measured at fair value through other comprehensive income	494,266	(938,759)
Income tax effect on changes in fair value	(123,566)	234,690
Remeasurement of defined benefit obligation	(6,002)	(31,655)
Share of other comprehensive income of a joint venture, net of related income tax	(391)	391
Subtotal	364,307	(735,333)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	121,940	125,621
Debt instruments measured at fair value through other comprehensive income:		
Fair value changes arising during the year	150,402	546,895
Reclassification adjustments included in profit or loss	(34,434)	(22,314)
Income tax that may be reclassified subsequently	(28,992)	(131,145)
Fair value losses on hedging instruments designated in cash flow hedges	20,535	(20,205)
Share of other comprehensive expense of a joint venture, net of income tax	5,519	(5,519)
Subtotal	234,970	493,333
Other comprehensive income/(expense) for the year (net of tax)	599,277	(242,000)
Total comprehensive income for the year (net of tax)	5,849,421	2,689,737
Total comprehensive income for the year attributable to:		
Owners of the Company	5,825,861	2,645,127
Non-controlling interests	23,560	44,610
	5,849,421	2,689,737

The notes on pages 159 to 275 form an integral part of these consolidated financial statements.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

		As at 31 December	
	Notes	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	19	382,820	364,496
Investment properties	20	8,034	8,231
Right-of-use assets	21	1,339,654	N/A
Goodwill	22	439,539	223,278
Other intangible assets	23	493,538	391,667
Interest in a joint venture	24	1,320,136	876,823
Financial assets measured at fair value through profit or loss	25	2,339,832	5,542,834
Debt instruments measured at fair value through other comprehensive income	27	100,053	101,603
Equity instruments measured at fair value through other comprehensive income	28	19,349,092	9,777,435
Debt instruments measured at amortized cost	29	4,314,343	4,435,395
Financial assets held under resale agreements	26	13,609,000	18,630,062
Deposits with exchanges and a non-bank financial institution	31	472,763	511,701
Other receivables and prepayments	30	1,106,599	1,088,840
Advances to customers	33	199,235	–
Deferred tax assets	32	99,832	477,454
Total non-current assets		45,574,470	42,429,819
Current assets			
Advances to customers	33	58,522,084	44,631,943
Accounts receivable	34	5,116,838	643,112
Tax recoverable		370,823	169,442
Other receivables and prepayments	30	1,841,999	591,915
Financial assets measured at fair value through profit or loss	25	71,699,287	54,795,447
Debt instruments measured at fair value through other comprehensive income	27	22,917,437	17,197,627
Equity instruments measured at fair value through other comprehensive income	28	156	–
Debt instruments measured at amortized cost	29	716,953	626,383
Financial assets held under resale agreements	26	16,829,084	21,337,012
Derivative financial assets	35	208,503	76,291
Deposits with exchanges and a non-bank financial institution	31	10,262,493	4,764,126
Clearing settlement funds	36	11,276,475	12,686,543
Bank balances	37	70,329,276	51,413,631
Total current assets		270,091,408	208,933,472
Total assets		315,665,878	251,363,291

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

		As at 31 December	
	Notes	2019	2018
EQUITY AND LIABILITIES			
Equity			
Share capital	38	10,137,259	10,137,259
Reserves		41,842,422	39,764,606
Retained profits		18,915,914	16,080,223
Equity attributable to owners of the Company		70,895,595	65,982,088
Non-controlling interests		1,026,104	355,773
Total equity		71,921,699	66,337,861
Liabilities			
Non-current liabilities			
Bonds payable	40	31,142,519	43,056,018
Financing payables	41	1,433,758	3,243,512
Financial liabilities measured at fair value through profit or loss	42	52,741	823,059
Other payables and accruals	43	466,476	2,096,097
Lease liabilities	21	822,767	N/A
Deferred tax liabilities	32	261,392	10,096
Total non-current liabilities		34,179,653	49,228,782
Current liabilities			
Bonds payable	40	26,522,572	26,672,988
Due to banks and other financial institutions	44	13,952,727	5,012,664
Financing payables	41	22,584,027	13,289,357
Accounts payable to brokerage clients	45	80,508,860	56,695,274
Accrued staff costs	46	3,354,729	2,591,519
Other payables and accruals	43	5,087,712	2,614,896
Lease liabilities	21	513,957	N/A
Current tax liabilities		49,155	10,958
Financial liabilities measured at fair value through profit or loss	42	1,665,341	635,639
Derivative financial liabilities	35	469,792	213,413
Financial assets sold under repurchase agreements	47	54,855,654	28,059,940
Total current liabilities		209,564,526	135,796,648
Total liabilities		243,744,179	185,025,430
Total equity and liabilities		315,665,878	251,363,291
Net current assets		60,526,882	73,136,824
Total assets less current liabilities		106,101,352	115,566,643

The notes on pages 159 to 275 form an integral part of these consolidated financial statements.

Approved and authorized for issue by the Board of Directors on 27 March 2020 and were signed on its behalf by:

Chen Gongyan

DIRECTOR

Chen Liang

DIRECTOR

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	Equity attributable to owners of the Company										
	Reserves									Non-controlling interests	Total equity
	Share capital	Capital reserves	Investment revaluation reserve	Cash flow hedging reserve	Translation reserves	General reserves	Other reserves	Retained profits	Subtotal		
At 1 January 2018	10,137,259	25,027,389	466,196	–	14,128	13,659,585	(33,286)	15,286,654	64,557,925	373,406	64,931,331
Profit for the year	–	–	–	–	–	–	–	2,887,127	2,887,127	44,610	2,931,737
Other comprehensive income for the year	–	–	(310,633)	(20,205)	125,621	–	(36,783)	–	(242,000)	–	(242,000)
Total comprehensive income for the year	–	–	(310,633)	(20,205)	125,621	–	(36,783)	2,887,127	2,645,127	44,610	2,689,737
Appropriation to general reserves	–	–	–	–	–	877,049	–	(877,049)	–	–	
Dividends declared (Note 18)	–	–	–	–	–	–	–	(1,216,471)	(1,216,471)	–	(1,216,471)
Change in ownership interest in a subsidiary	–	(4,493)	–	–	–	–	–	–	(4,493)	(62,243)	(66,736)
Transfer within equity	–	–	38	–	–	–	–	(38)	–	–	–
At 31 December 2018	10,137,259	25,022,896	155,601	(20,205)	139,749	14,536,634	(70,069)	16,080,223	65,982,088	355,773	66,337,861
Profit for the year	–	–	–	–	–	–	–	5,228,429	5,228,429	21,715	5,250,144
Other comprehensive income for the year	–	–	457,676	20,535	120,094	–	(874)	–	597,431	1,846	599,277
Total comprehensive income for the year	–	–	457,676	20,535	120,094	–	(874)	5,228,429	5,825,860	23,561	5,849,421
Appropriation to general reserves	–	–	–	–	–	1,480,385	–	(1,480,385)	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	646,770	646,770
Dividend declared (Note 18)	–	–	–	–	–	–	–	(912,353)	(912,353)	–	(912,353)
At 31 December 2019	10,137,259	25,022,896	613,277	330	259,843	16,017,019	(70,943)	18,915,914	70,895,595	1,026,104	71,921,699

The notes on pages 159 to 275 form an integral part of these consolidated financial statements.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2019	2018
OPERATING ACTIVITIES			
Profit before income tax		6,830,129	3,682,094
Adjustments for:			
Interest expenses		6,035,711	6,035,890
Share of results of a joint venture		(10,886)	2,577
Depreciation and amortization		715,127	218,485
Impairment losses, net of reversal		410,445	408,348
Gains on disposal of property and equipment and other intangible assets		1,883	(965)
Foreign exchange losses		(21,593)	8,612
Net realized gains from disposal of debt instruments measured at fair value through other comprehensive income		(104,251)	(22,309)
Interest income from debt instruments measured at fair value through other comprehensive income		(65,805)	—
Net realized gains from disposal of debt instruments measured at amortized cost		(985,570)	(839,630)
Interest income from other financial assets		(21,585)	—
Dividend income from equity instruments measured at fair value through other comprehensive income		(620,169)	(711,374)
Interest income from debt instruments measured at amortized cost		(194,308)	(337,566)
Unrealized fair value gains on financial assets measured at fair value through profit or loss		(2,133,437)	(1,369,627)
Unrealized fair value gains on financial liabilities measured at fair value through profit or loss		268,923	(43,506)
Unrealized fair value gains on derivative financial instruments		208,724	(142,798)
		10,313,338	6,888,231
OPERATING ACTIVITIES			
Operating cash flows before movements in working capital		10,313,338	6,888,231
(Increase)/decrease in advances to customers		14,118,923	17,893,065
Increase/(decrease) in accounts receivable and other receivables and prepayments		1,900,598	(190,451)
Increase/(decrease) in financial assets held under resale agreements		9,278,920	(1,621,329)
Decrease/(increase) in financial assets at fair value through profit or loss and derivative financial assets		(11,364,468)	(20,976,964)
Decrease in deposits with exchanges and a non-bank financial institution		(5,318,041)	590,524
Decrease/(increase) in clearing settlement funds-clients		2,127,438	(143,428)
(Increase)/decrease in cash held on behalf of customers		(17,684,582)	8,201,458
Decrease/(increase) in accounts payable to brokerage clients, accrued staff costs and other payables and accruals		(7,356,494)	(9,895,276)
(Decrease)/increase in financial liabilities measured at fair value through profit or loss and derivative financial liabilities		(254,076)	1,191,859
(Decrease)/increase in financial assets sold under repurchase agreements		26,783,779	9,263,379
Increase in amounts due to banks and other financial institutions		6,170,000	1,500,000
Cash from/(used in) operations		28,715,335	12,701,068
Income taxes paid		(1,244,633)	(624,272)
Interests paid		(1,690,942)	(1,274,910)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		25,779,760	10,801,886

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
Notes	2019	2018
INVESTING ACTIVITIES		
Dividends and interest received from investments	2,069,753	2,190,161
Purchases of property and equipment and other intangible assets	(528,395)	(1,342,827)
Proceeds from disposals of property and equipment and other intangible assets	21,590	10,387
Capital injection to a joint venture	(1,276,265)	(826,359)
Acquisition of a subsidiary, net of cash acquired	1,212,189	–
Purchases of financial assets at fair value through profit or loss	–	(2,172,719)
Proceeds from disposals of financial assets at fair value through profit or loss	–	5,347,408
Purchases of debt instruments at fair value through other comprehensive income	(13,295,049)	(8,929,009)
Proceeds from disposals of debt instruments at fair value through other comprehensive income	7,839,907	7,710,218
Purchases of equity instruments at fair value through other comprehensive income	(16,902,257)	(1,190,000)
Proceeds from disposals of equity instruments at fair value through other comprehensive income	7,900,000	50,000
Purchases of debt instruments measured at amortized cost	(4,925,926)	(939,246)
Proceeds from redemption of debt instruments measured at amortized cost	5,200,990	2,016,238
Placement of bank deposits with original maturity of more than three months	(1,145,137)	(1,058,018)
Maturity of bank deposits with original maturity of more than three months	1,055,394	979,194
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(12,773,206)	1,845,428

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2019	2018
FINANCING ACTIVITIES			
Transaction costs paid on issuance of bonds		(52,830)	(120,509)
Proceeds from bonds issued	57	30,819,501	25,700,000
Repayment of bonds issued	57	(26,100,213)	(19,515,423)
Proceeds from financing instrument payables issued	57	10,895,530	11,918,060
Repayment of financing instrument payables issued	57	(20,264,002)	(25,274,330)
Proceeds from amounts due to banks and other financial institutions	57	553,530	3,007,995
Repayment of amounts due to banks and other financial institution	57	–	(2,550,331)
Proceeds from third-party interests in consolidated structured entities	57	–	38,189
Cash repayment of third-party interests in consolidated structured entities	57	(1,728,945)	(1,183,183)
Interests paid in respect of bonds, borrowing and financial instrument payables		(4,186,832)	(3,854,469)
Dividends paid		(912,353)	(1,216,471)
Dividends paid to non-controlling shareholders		–	(27,171)
Payment of lease liabilities		(211,766)	–
Purchases of shares of a subsidiary		–	(66,736)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(11,188,380)	(13,144,379)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,818,174	(497,065)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		8,645,592	9,026,394
Effect of foreign exchange rate changes		36,073	116,263
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	48	10,499,839	8,645,592
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		11,540,010	11,522,645

The notes on pages 159 to 275 form an integral part of these consolidated financial statements.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

1. CORPORATE INFORMATION

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out below. The consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Standard, amendments and interpretation effective in 2019

In the current year, the Group has applied the following new standard, amendments and interpretation to IFRSs that are effective for the Group’s annual period beginning on 1 January 2019.

On 1 January 2019, the Group adopted the following new standards, amendments and interpretations.

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
IAS 19 Amendments	Plan amendment, Curtailment or Settlement
IAS 28 Amendments	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle (issued in December 2017)

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Standard, amendments and interpretation effective in 2019 (continued)

In January 2016, the IASB issued IFRS 16 Leases, which replaced IAS 17 and IFRIC 4. Under IFRS 16, the classifications of finance lease and operating lease for lessees are removed, and lessees recognize right-of-use assets and lease liabilities for all leases (except short-term leases and low-value asset leases elected to be accounted for using a practical expedient) and recognize depreciation and interest expense respectively.

The Group has adopted IFRS 16 from 1 January 2019 and applied the modified retrospective approach without restating comparative figures. The Group has not reassessed existing contracts before the date of initial application and adopted several specified practical expedients, including applying a single discount rate to a portfolio of leases with reasonably similar characteristics; accounting for leases for which the lease term ends within 12 months of the date of initial application in the same way as short-term leases; excluding initial direct costs from the measurement of the right-of-use assets at the date of initial application; and using hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease. As a lessee, the Group has elected to exercise the recognition exemption not to recognize the right-of-use assets and lease liabilities for the leases of which the underlying assets are of low value or for which the contract would end within 12 months from the date of initial application, and has recognized the profit or loss on a straight-line basis over the lease term. Therefore, the financial information for the year ended 31 December 2019 related to leasing presented in the 2019 audit report is not comparable with the financial information presented in the 2018 audit report in accordance with the former lease standards

For the minimum lease payments for the operating leases disclosed in the financial statements of 2018, the Group used its incremental borrowing interest rate on 1 January 2019 as the discount rate of the lease payment, which was between 4.28% and 5.00%. The reconciliation to the opening balance for the lease liabilities as at 1 January 2019 is as follows:

Minimum lease payments for operating leases as at 31 December 2018	1,183,305
Less: minimum lease payments with recognition exemption-short-term leases	(25,817)
Less: minimum lease payments with recognition exemption-leases of low value assets	–
Less: the impact of lease payments discounted at incremental borrowing interest rate as at 1 January 2019	(276,955)
Add: Increase in minimum lease payments if a lessee is reasonably certain to exercise an option to extend a lease	559,170
Less: other adjustments	(866)
Lease liabilities as at 1 January 2019	1,438,837
Right-of-use assets as at 1 January 2019	1,487,214

IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The interpretation mainly addresses the following four areas: whether an entity separately considers the uncertainty of tax treatments; assumptions adopted by an entity to address the examination of tax treatments by taxation authorities; how an entity determines taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances.

Except for IFRS 16, the adoption of the above standards, amendments and interpretations does not have a significant impact on the Group's consolidated financial statements.

Except for those described above, the significant accounting policies adopted by the Group for the annual financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are relevant to the Group. These amendments, new standards and interpretations are not yet effective for the year ended 31 December 2019 and have not been adopted in the financial statements.

Standards	Effective for annual periods beginning on or after
(1) Amendments to IAS 1 and IAS 8	1 January 2020
(2) Amendments to IFRS 3	1 January 2020
(3) Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020
(4) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Effective date has been deferred indefinitely

The Group anticipates that the adoption of the new standards and amendments will not have a significant impact on the Group's consolidated financial statements.

1) Amendments to IAS 1 and IAS 8 "Definition of Material"

Amendments to IAS 1 and IAS 8 provide a new definition of materiality. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions made by the primary users of general purpose financial statements based on those financial statements. The amendments clarify that materiality depends on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

2) Amendments to IFRS 3 "Definition of A Business"

IFRS 3 Amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. A business can exist without including all the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Possible impact of amendments, new standards and interpretations issued but not yet effective (continued)

3) Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”

The amendments to IFRS 9, IAS 39 and IFRS 7 modify some specific hedge accounting requirements. During the period of uncertainty arising from phasing-out of interest-rate benchmarks with an alternative nearly risk-free interest rate (“RFR”), the entities that apply these hedge accounting requirements can assume that the interest-rate benchmarks on which the hedged cash flows and cash flows of the hedging instrument are based are not altered as a result of interest-rate benchmark reform. The amendments must be applied retrospectively.

4) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The narrow-scope amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a “business” (as defined in IFRS 3 “Business Combinations”).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments apply prospectively.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- (a) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) Exposure, or rights, to variable returns from its involvement with the investee
- (c) The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee;
- (b) Rights arising from other contractual arrangements;
- (c) The Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies

1) *Business combinations and goodwill*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the operation and the portion of the cash-generating unit retained.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

3) *Investments in associates and joint ventures*

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within "Share of profit of an associate and a joint venture" in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

4) Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Securities brokerage and investment consulting business

Income from securities brokerage is recognized on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from the brokerage business is recognized when the related services are rendered.

Income from the investment consulting business is recognized when the relevant transactions have been arranged or the relevant services have been rendered.

(b) Underwriting and sponsorship business

Income from the underwriting and sponsorship business is recognized when the obligation of underwriting or sponsoring is completed.

(c) Asset management business

Income from regular management fees is recognized periodically based on a predetermined fixed percentage of the asset value under the asset management agreement. Income from performance fees is recognized when the performance fee is determinable based on actual performance measurement, as and when contingent criteria associated are met.

(d) Other business

Income from other business is recognized when control of goods or services is transferred to the customers.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

5) *Cash and cash equivalents*

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash.

6) *Leases*

The Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

7) *Foreign currencies*

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

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

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

8) *Borrowing costs*

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

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

9) *Government grants*

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

10) Retirement benefit costs and termination benefits

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

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

Defined benefit costs are categorized as follows:

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

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reduction in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the group entity can no longer withdraw the offer of the termination benefit and when it recognizes any related restructuring costs.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

11) Short-term employee benefits

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

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

12) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that is taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

12) *Taxation (continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

13) *Property, plant and equipment*

Property, plant and equipment including buildings held for use in the supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

13) Property, plant and equipment (continued)

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

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

14) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write off the cost of investment properties over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

15) Intangible assets

Intangible assets acquired separately

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

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

The estimated useful life of computer software is 3 years.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

16) *Impairment of tangible and intangible assets other than goodwill*

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of tangible and intangible assets is estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income derived from the Group's ordinary course of business is presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and debt instruments subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognized in profit or loss. All other changes in the carrying amount of these debt instruments are recognized in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognized in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these debt instruments had been measured at amortized cost. When these debt instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Investment income and gains or losses" line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as at FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "net investment gains" line item.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group recognizes a loss allowance for ECLs on financial assets which are subject to impairment under IFRS 9, including debt instruments measured at FVTOCI or amortized cost, advances to customers, accounts receivable, other receivables, financial assets held under resale agreements, deposits with exchanges and a non-bank financial institution, clearing settlement funds and bank balances. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECLs for accounts receivable without significant financing component. The ECLs on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECLs. The assessment of whether lifetime ECLs should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life;
- an actual or expected significant change in the financial instrument's external credit rating;
- an actual or expected internal credit rating downgrade for the borrower;

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(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations;
- an actual or expected significant change in the operating results of the borrower;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- an actual or expected significant change in the quality of credit enhancements;
- significant changes in the expected performance and behaviour of the borrower.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

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(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- other events that the Group may consider as the evidence of default.

(iv) Measurement and recognition of ECLs

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECLs reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECLs is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

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(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iv) Measurement and recognition of ECLs (continued)

For ECLs on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost of the financial asset.

For undrawn loan commitments, the loss allowances are the present value of the difference between:

- (a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan: and
- (b) the cash flows that the Group expects to receive if the loan is drawn down.

Except for investments in debt instruments that are measured at FVTOCI and loan commitments, the Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through the use of a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognized in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these debt instruments.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL (continued)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9/IAS 39 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities at amortized cost

Financial liabilities (including bonds payable, financing instrument payables, other payables and accruals, due to banks and other financial institutions, accounts payable to brokerage clients and financial assets sold under repurchase agreements) are subsequently measured at amortized cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

Derivative financial instruments (continued)

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortized cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

Hedge accounting (continued)

Assessment of hedging relationship and effectiveness (under IFRS 9 since 1 January 2018)-continued

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the "other income, gains and losses" line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the losses accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transactions is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

17) Financial instruments (continued)

Financial assets sold under repurchase agreements and financial assets held under resale agreements

Financial assets held under resale agreements and financial assets sold under repurchase agreements are recorded at the amount actually paid or received when the transactions occur, and are recognized in the statement of financial position. The assets held under the agreements to resell are registered as off-balance-sheet items, while the assets sold under the agreements to repurchase are recorded in the statement of financial position.

The bid-ask spread of the financial assets under agreements to resell and financial assets sold under agreements to repurchase is recognized as interest income or interest expense using the effective interest rate method in the reselling or repurchasing period.

Securities lending

The Group lends securities to clients and the cash collateral required under securities lending agreements and interest arising from these agreements are included in “accounts payable to brokerage clients”. Securities lent to clients are not derecognized and are continued to be recorded as “Financial assets at fair value through profit or loss”.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when both of the following conditions are satisfied: (i) the Group currently has a legal enforceable right to set off the recognized amounts; and (ii) the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Group’s accounting policies, which are described in Note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Critical judgements in applying accounting

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Consolidation of structured entities

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes and investment funds where the Group involves as manager and also as investor, the Group considers the scope of its decision-making authority and assesses whether the combination of interests it holds together with its remuneration and credit enhancements creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.

Determination on classification of financial assets

Classification and measurement of financial assets depends on the results of whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or FVTOCI that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

Measurement of ECLs

The following significant judgements are required in applying the accounting requirements for measuring the ECLs:

Significant increase in credit risk

ECLs are measured as an allowance equal to 12-month ECLs for stage 1 assets, or lifetime ECLs for stage 2 or stage 3 assets. An asset classified as stage 2 when its credit risk has increased significantly since initial recognition, and it comes to stage 3 when it is credit impaired (but it is not purchased original credit impaired). In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. Refer to Note 58 for more details.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Critical judgements in applying accounting (continued)

Measurement of ECLs (continued)

Significant increase in credit risk (continued)

The Group has applied a “three-stage” impairment model for ECL measurement based on changes in credit quality since initial recognition of financial assets as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified as “Stage 1” and has its credit risk continuously monitored by the Group;
- If a significant increase in credit risk (“SICR”) since initial recognition is identified, the financial instrument is classified as Stage 2 but is not yet deemed to be credit-impaired. The Group considers a financial instrument to have experienced a SICR when one or more of the following quantitative and qualitative criteria have been met:
 - for margin financing: the occurrence of fore-warning credit management actions such as margin call measure triggered based on the pre-determined threshold of the relevant loan balances to collateral ratios, significant deterioration in the value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements which have an effect on the probability of a default occurring; and
 - for debt securities investments: significant deteriorations between the investment’s initial external or internal credit rating and the credit rating at the reporting date. The Group considers that the debt securities have experienced a significant increase in credit risk if the securities are more than 30 days past due on its contractual payments.
- If the financial instrument is credit-impaired, the financial instrument is then classified as Stage 3. The Group determines a financial instrument to be credit impaired upon the occurrence of credit events including:
 - for margin financing: credit management actions such as force liquidation of a margin client’s position triggered based on the pre-determined threshold of margin loan to collateral ratios; and collateral valuation falling short of the related margin loan amount; and
 - for debt securities investments: significant deterioration in the investment’s internal and external rating whereby the issuer is assessed to be typically in default, with little prospect for recovery of principal or interest; or, significant financial difficulty of the issuer. The Group considers that the debt securities are credit impaired if the securities are more than 90 days past due.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets transfer from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECLs changes because the credit risk of the portfolios differ.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Critical judgements in applying accounting (continued)

Measurement of ECLs (continued)

Models and assumptions used

The Group uses various models and assumptions in estimating ECLs. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See Note 58 for more details on ECLs.

3.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurement of financial instruments

Certain of the Group's financial instruments amounting to RMB4,359 million as at 31 December 2019 (RMB5,631 million as at 31 December 2018) are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See Note 59 for further disclosures.

Measurement of ECLs

Forward-looking information

When measuring ECLs the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 58 for more details.

Probability of default (PD)

PD constitutes a key input in measuring ECLs. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Refer to Note 58 for more details.

Loss given default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Refer to Note 58 for more details.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Key sources of estimation uncertainty (continued)

Measurement of ECLs (continued)

Provision for ECLs on accounts receivable and other receivables

The Group uses a provision matrix to calculate ECLs for accounts receivable and other receivables. The provision rates are based on shared credit risk characteristics as groupings of accounts receivable and other receivables that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, accounts receivable and other receivables with significant balances and credit impairment are assessed for ECL individually.

The provision for ECLs is sensitive to changes in estimates. The information about the ECLs and the Group's accounts receivable and other receivables are disclosed in Note 58.1, respectively.

Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which the goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss/further impairment loss may arise. As at 31 December 2019, the carrying amount of goodwill was RMB440 million (31 December 2018: RMB223 million) (no impairment loss was recognized during the reporting periods). Details of the recoverable amount calculation are disclosed in Note 22.

4. SEGMENT REPORTING

Information reported to the board of directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group's basis of organization, whereby the businesses are organized and managed separately as individual strategic business units that offer different products and serve different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the board of directors, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

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(Amounts in thousands of Renminbi, unless otherwise stated)

4. SEGMENT REPORTING (continued)

Specifically, the Group's operating segments are as follows:

- (a) Securities brokerage: This segment engages in the provision of securities dealing and broking, margin financing to margin clients and securities lending;
- (b) Futures brokerage: This segment engages in futures dealing and broking, futures information consulting and training;
- (c) Proprietary trading and other securities trading services: This segment engages in trading of equities, bonds, funds, derivatives and other financial products for the Group;
- (d) Investment banking: This segment engages in the provision of corporate finance services including underwriting of equity and debt securities and financial advisory services to institutional clients;
- (e) Asset management: This segment engages in the provision of portfolio management, investment advisory and transaction execution services;
- (f) Private equity and alternative investment: This segment makes equity investments in private companies and realizes capital gains by exiting from these private equity investments through initial public offerings or share sales, or receives dividends from these portfolio companies; and
- (g) Overseas business: This segment mainly represents the business operations in securities brokerage, futures brokerage, securities research, investment banking, margin financing, money lending, asset management and insurance brokerage business that are carried out overseas.

Others mainly represent head office operations, investment holding as well as interest income and interest expense arising from general working capital.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during both years. Segment profit or loss represents the profit earned or loss incurred by each segment without allocation of income tax expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Segment assets or liabilities are allocated to each segment, excluding deferred tax assets and liabilities. Inter-segment balance mainly resulted from futures brokerage transaction carried out by the futures brokerage segment for the proprietary trading and other securities trading services segment and are eliminated upon consolidation. The segment result excludes income tax expense while the segment assets and liabilities include prepaid taxes and current tax liabilities, respectively.

The Group operates in Mainland China, Hong Kong and other overseas areas, representing the location of both income from external customers and assets of the Group. Segment revenue and all assets of the Group in respect of the overseas business segment are attributable to operations in Hong Kong and other overseas areas, while other segment revenue and assets of the Group are attributable to operations in Mainland China. No single customer contributes more than 10% to the Group's revenue for the years ended 31 December 2019 and 2018.

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(Amounts in thousands of Renminbi, unless otherwise stated)

4. SEGMENT REPORTING (continued)

The operating and reportable segment information provided to the CODM for the years ended 31 December 2019 and 2018 is as follows:

	Securities brokerage	Futures brokerage	Proprietary trading and other securities services	Investment banking	Asset management	Private equity and alternative investments	Overseas business	Reportable segment total	Others	Eliminations	Consolidated total
For the year ended 31 December 2019											
Segment revenue and results											
Revenue and net investment gains											
– External	11,884,276	782,678	6,653,764	427,391	670,627	258,659	1,533,303	22,210,698	(1,074,133)	-	21,136,565
– Inter-segment	434,121	275	-	-	16,369	-	-	450,765	-	(991,242)	(540,477)
Other income and gains	26,198	2,744,866	-	406	-	1,789	75,578	2,848,837	48,567	-	2,897,404
Segment revenue and other income	12,344,595	3,527,819	6,653,764	427,797	686,996	260,448	1,608,881	25,510,300	(1,025,566)	(991,242)	23,493,492
Segment expenses	8,858,904	3,219,508	2,804,915	359,930	612,219	83,985	1,559,745	17,499,206	(376,445)	(448,512)	16,674,249
Segment result	3,485,691	308,311	3,848,849	67,867	74,777	176,463	49,136	8,011,094	(649,121)	(542,730)	6,819,243
Share of result of a joint venture	-	-	-	-	-	-	10,886	10,886	-	-	10,886
Profit/(loss) before income tax	3,485,691	308,311	3,848,849	67,867	74,777	176,463	60,022	8,021,980	(649,121)	(542,730)	6,830,129
As at 31 December 2019											
Segment assets and liabilities											
Segment assets	144,710,107	21,354,829	112,567,848	760,511	1,923,005	4,524,751	21,248,041	307,088,892	135,157,735	(126,680,581)	315,566,046
Deferred tax assets											99,832
Group's total assets											315,665,878
Segment liabilities	143,907,004	19,237,892	109,665,478	888,612	612,634	265,293	17,262,267	291,839,180	78,315,474	(126,671,867)	243,482,789
Deferred tax liabilities											261,392
Group's total liabilities											243,744,181
Other segment information											
Depreciation and amortization	318,624	40,839	10,088	23,225	5,116	2,816	246,538	647,246	67,881	-	715,127
Impairment losses	195,538	2,111	118,648	-	60,420	2,110	24,790	403,617	6,829	-	410,446
Additions to non-current assets	69,493	13,471	-	-	483	174	29,742	113,363	458,850	-	572,213
Interest income from operations	6,872,666	359,459	249,460	3,031	27,529	5,416	651,089	8,168,650	155,990	-	8,324,640
Interest income from investments	-	-	1,180,313	-	15,552	-	6,819	1,202,784	-	-	1,202,784
Interest expenses	296,896	8,596	1,395,373	9,921	(266)	1	278,183	1,988,704	4,047,007	-	6,035,711

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(Amounts in thousands of Renminbi, unless otherwise stated)

4. SEGMENT REPORTING (continued)

	Securities brokerage	Futures brokerage	Proprietary trading and other securities trading services	Investment banking	Asset management	Private equity and alternative investments	Overseas business	Reportable segment total	Others	Eliminations	Consolidated total
For the year ended 31 December 2018											
Segment revenue and results											
Revenue and net investment gains											
– External	10,174,104	838,438	2,425,502	496,580	845,797	(47,388)	516,126	15,249,159	227,972	–	15,477,131
– Inter-segment	533,367	742	–	–	33,611	–	–	567,720	343,376	(911,096)	–
Other income and gains	28,259	712,491	24	1,104	5,519	15,915	4,709	768,021	(10,182)	–	757,839
Segment revenue and other income	10,735,730	1,551,671	2,425,526	497,684	884,927	(31,473)	520,835	16,584,900	561,166	(911,096)	16,234,970
Segment expenses	(6,955,409)	(1,215,272)	(2,478,659)	(311,862)	(801,790)	(53,100)	(384,225)	(12,200,317)	(917,412)	567,430	(12,550,299)
Segment result	3,780,321	336,399	(53,133)	185,822	83,137	(84,573)	136,610	4,384,583	(356,246)	(343,666)	3,684,671
Share of result of a joint venture	–	–	–	–	–	–	(2,577)	(2,577)	–	–	(2,577)
Profit/(loss) before income tax	3,780,321	336,399	(53,133)	185,822	83,137	(84,573)	134,033	4,382,006	(356,246)	(343,666)	3,682,094
As at 31 December 2018											
Segment assets and liabilities											
Segment assets	115,557,402	17,107,896	102,746,721	435,877	2,284,731	2,957,358	7,831,314	248,921,299	143,656,853	(142,569,138)	250,009,014
Interest in a joint venture							876,823	876,823			876,823
Deferred tax assets											477,454
Group's total assets											251,363,291
Segment liabilities	114,144,500	15,224,018	103,973,882	425,524	1,036,027	394,173	5,506,110	240,704,234	87,052,901	(142,741,801)	185,015,334
Deferred tax liabilities											10,096
Group's total liabilities											185,025,430
Other segment information											
Depreciation and amortization	174,545	15,743	3,537	3,667	2,359	439	4,824	205,114	13,371	–	218,485
Impairment losses	305,266	–	(2,873)	74,699	9,339	6,424	12,217	405,072	3,276	–	408,348
Additions to non-current assets	87,164	20,991	–	–	863	8,304	3,214	120,536	1,193,668	–	1,314,204
Interest income from operations	6,957,266	459,413	340,575	50	49,078	2,122	291,853	8,100,357	203,026	–	8,303,383
Interest income from investments	–	1,173	1,074,294	–	101,729	–	–	1,177,196	–	–	1,177,196
Interest expenses	195,015	15,153	1,009,784	–	91,495	–	78,011	1,389,458	4,646,432	–	6,035,890

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(Amounts in thousands of Renminbi, unless otherwise stated)

5. BUSINESS COMBINATIONS

On 18 January 2018, pursuant to the Share Purchase Agreement (the “SPA”) entered into between China Galaxy International Financial Holdings Company Limited (“CGI”), a wholly-owned subsidiary of the Company, and CIMB Group Sdn Bhd (“CIMB”), the Group acquired 50% of the issued share capital of CIMB Securities International Pte. Ltd (“CSI”), which was wholly owned by CIMB. Upon completion of the SPA, the name of CSI is then changed to CGS-CIMB. The Group’s investment cost on CGS-CIMB is SGD177 million, equivalent to RMB912 million. CGI and CIMB have agreed mechanism for CGI to increase stake of holdings in CGS-CIMB to 75% and eventually to 100% by a series of two-way options.

Pursuant to the supplemental shareholders’ agreement signed and effective on 1 April 2019, CIMB agreed to transfer additional shareholders’ rights, including the appointment and removal of key management, to the Group. The directors are of the opinion that the Group has accordingly obtained controls over CGS-CIMB and consolidated CGS-CIMB since 1 April 2019.

The consolidated financial statements include the results of CGS-CIMB for the nine-month period from the acquisition date.

The details of the identifiable assets and liabilities acquired are as follows:

	Acquisition Date	
	Fair value	Carrying amount
Cash	1,212,189	1,212,189
Advances to customers	1,576,821	1,576,821
Accounts receivable	6,925,411	6,925,411
Financial assets measured at fair value through profit or loss	378,225	378,225
Financial assets measured at fair value through other comprehensive income	70,162	70,162
Debt instruments measured at amortized cost	322,195	322,195
Derivative financial assets	788	788
Property, plant and equipment	22,172	22,172
Intangible assets	118,952	95,640
Deferred income tax assets	34,615	39,277
Other assets	724,478	724,478
Total assets	11,386,008	11,367,358
Bank Loans	(2,209,868)	(2,209,868)
Current tax liabilities	(12,440)	(12,440)
Derivative financial liabilities	(253)	(253)
Financial liabilities measured at fair value through profit or loss	(194,669)	(194,669)
Other liabilities	(7,675,238)	(7,675,238)
Total liabilities	(10,092,468)	(10,092,468)
Total identifiable net assets at fair value	1,293,540	
Non-controlling interests	646,770	
Goodwill arising on acquisition (Note 22)	206,653	
Total consideration	853,423	

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(Amounts in thousands of Renminbi, unless otherwise stated)

5. BUSINESS COMBINATIONS (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of CGS-CIMB is as follows:

	Acquisition Date
Cash and cash equivalents held by CGS-CIMB as at the acquisition date	1,212,189
Cash consideration paid on acquisition of CGS-CIMB in 2019	–
Net cash flow on acquisition of CGS-CIMB	1,212,189

6. COMMISSION AND FEE INCOME

	Year ended 31 December	
	2019	2018
Commission on securities dealing and broking and handling fee income	4,488,958	3,341,973
Underwriting and sponsors' fees	400,426	460,516
Commission on futures and option contracts dealing and broking and handling fee income	373,071	315,459
Consultancy and financial advisory fee income	113,341	95,564
Asset management fee income	633,750	746,670
Others	162,423	90,569
	6,171,969	5,050,751

7. INTEREST INCOME

The following is the analysis excluding interest income from investments:

	Year ended 31 December	
	2019	2018
Deposits with exchanges and a non-bank financial institution and bank balances	2,242,849	1,881,294
Advances to customers and securities lending	3,779,591	4,001,964
Financial assets held under resale agreements	2,303,521	2,420,125
Debt instruments measured at fair value through other comprehensive income	985,570	839,630
Debt instruments measured at amortized cost	194,309	337,566
Interest income from other financial assets	21,584	–
	9,527,424	9,480,579

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8. INVESTMENT INCOME AND GAINS OR LOSSES

	Year ended 31 December	
	2019	2018
Realized and unrealized gains/(losses) from		
– debt instruments measured at FVTOCI	104,251	22,309
– debt instruments measured at amortized cost	65,805	–
– financial assets measured at FVTPL	5,828,266	(826,502)
– financial liabilities designated at FVTPL	(302,034)	35,892
– derivatives	(1,419,859)	1,012,443
– financial liabilities held for trading	97	(9,715)
Dividend income from		
– equity instruments measured at FVTOCI	620,169	711,374
	4,896,695	945,801

9. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December	
	2019	2018
Income from bulk commodity trading	2,721,495	695,936
Government grants	19,588	29,148
Gains on disposals of property and equipment and other intangible assets	(1,883)	965
Foreign exchange gains/(losses)	21,593	(8,612)
Gross rental income	11,223	420
Others	125,388	39,982
	2,897,404	757,839

These government grants were received by the Group from the local governments to support operations in designated locations.

10. DEPRECIATION AND AMORTIZATION

	Year ended 31 December	
	2019	2018
Depreciation for right-of-use assets	483,386	N/A
Depreciation for property and equipment	164,877	171,434
Depreciation for investment properties	197	49
Amortization of other intangible assets	66,667	47,002
	715,127	218,485

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11. STAFF COSTS

	Year ended 31 December	
	2019	2018
Salaries, bonus and allowances	3,858,334	2,453,361
Social welfare	620,534	622,241
Contributions to annuity schemes	101,530	130,813
Supplementary retirement benefits	28,504	17,678
Early retirement benefits	2,584	951
Others	303,310	259,527
	4,914,796	3,484,571

12. COMMISSION AND FEE EXPENSES

	Year ended 31 December	
	2019	2018
Securities and futures dealing and broking expenses	310,531	193,560
Underwriting and sponsors' fee expenses	9,142	6,366
Other service expenses	79,028	45,446
	398,701	245,372

13. INTEREST EXPENSES

	Year ended 31 December	
	2019	2018
Presented below are interest expenses on the following liabilities:		
– Bonds payable	3,693,298	3,617,511
– Financial assets sold under repurchase agreements	1,176,162	1,029,502
– Financing payables	407,616	865,828
– Accounts payable to brokerage clients	354,812	204,335
– Due to banks and other financial institutions	329,112	153,305
– Third-party interests in consolidated structured entities and others	74,711	165,409
	6,035,711	6,035,890

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14. OTHER OPERATING EXPENSES

	Year ended 31 December	
	2019	2018
General and administrative expenses	661,455	413,282
Value-added tax and surcharges	124,430	102,387
Minimum operating lease rentals in respect of rented premises	92,951	546,523
Data transmission expenses	138,281	141,127
Securities investor protection funds	56,899	41,848
Business travel expenses	86,439	85,032
Utilities expenses	43,916	34,927
Auditors' remuneration	15,864	9,228
Cost of commodity trading	2,695,090	695,526
Sundry expenses	284,143	87,753
	4,199,468	2,157,633

For the year ended 31 December 2019, included in "Other operating expenses" were operating lease expenses related to lease liabilities of RMB 60 million.

15. IMPAIRMENT LOSSES, NET OF REVERSAL

	Year ended 31 December	
	2019	2018
Impairment losses recognized/(reversed) on:		
– Financial assets held under resale agreements (Note 26)	254,129	35,512
– Advances to customers (Note 33)	(3,944)	287,694
– Accounts receivable (Note 34)	11,493	69,055
– Other receivables (Note 30)	67,247	11,165
– Debt instruments measured at FVTOCI (Note 27)	69,817	(1,302)
– Debt instruments measured at amortized cost (Note 29)	9,333	6,471
– Bank balances	260	(247)
– Inventories	2,111	–
	410,446	408,348

Details of impairment assessment for the year ended 31 December 2019 are set out in Note 58.

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16. INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
Current income tax		
PRC Enterprise Income Tax	1,027,980	939,092
Overseas Profits Tax	38,306	12,981
Underprovision in prior years:		
PRC Enterprise Income Tax	1,899	15,247
Overseas Profits Tax	825	362
Subtotal	1,069,010	967,682
Deferred income tax (Note 32)	510,975	(217,325)
	1,579,985	750,357

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applicable to PRC enterprises is 25%.

Taxation on profits of Hong Kong, Singapore and other countries and regions has been calculated on the estimated assessable profits in accordance with local tax regulations at the rates of taxation prevailing in the countries or regions in which the Group operates.

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

	Year ended 31 December	
	2019	2018
Profit before income tax	6,830,129	3,682,094
Tax at the statutory tax rate of 25%	1,707,532	920,524
Tax effect of share of loss of a joint venture	(1,796)	425
Tax effect of expenses not deductible for tax purposes	94,572	8,615
Tax effect of income not taxable for tax purposes	(205,576)	(182,098)
Effect of different tax rates of subsidiaries	(5,904)	(11,931)
Utilization of tax losses/deductible temporary differences previously not recognized	(11,567)	(787)
Underprovision in respect of prior years	2,724	15,609
Income tax expense for the year	1,579,985	750,357

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17. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company and the number of ordinary shares in issue during the year.

	Year ended 31 December	
	2019	2018
Profit attributable to owners of the Company	5,228,429	2,887,127
Weighted average number of shares in issue (thousand)	10,137,259	10,137,259
Basic earnings per share (in RMB)	0.52	0.28

No diluted earnings per share for both 2019 and 2018 was presented as there were no potential ordinary shares in issue for both 2019 and 2018.

18. DIVIDENDS

Dividends for ordinary shareholders of the Company declared during the year:

	Year ended 31 December	
	2019	2018
Dividends declared	912,353	1,216,471

A dividend in respect of 2018 of RMB0.9 per 10 shares (inclusive of tax), or a total of RMB912.35 million, based on a total of 10,137,258,757 shares in issue, was approved at the Annual General Meeting on 28 May 2019.

A dividend in respect of 2017 of RMB1.2 per 10 shares (inclusive of tax), or a total of RMB1,216.47 million, based on a total of 10,137,258,757 shares in issue, was approved at the Annual General Meeting on 26 June 2018.

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19. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Electronic and communication equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
COST						
As at 1 January 2018	248,363	730,663	94,110	133,367	332,482	1,538,985
Additions	466	74,144	2,599	13,087	73,780	164,076
Disposals/write-off	–	(42,676)	(6,544)	(12,612)	(50,198)	(112,030)
As at 31 December 2018	248,829	762,131	90,165	133,842	356,064	1,591,031
ACCUMULATED DEPRECIATION						
As at 1 January 2018	141,712	611,236	84,465	108,010	212,483	1,157,906
Charge for the year	10,683	75,433	3,407	11,098	70,813	171,434
Disposals/write-off	–	(34,565)	(5,995)	(12,047)	(50,198)	(102,805)
As at 31 December 2018	152,395	652,104	81,877	107,061	233,098	1,226,535
CARRYING VALUE						
As at 31 December 2018	96,434	110,027	8,288	26,781	122,966	364,496
COST						
As at 1 January 2019	248,829	762,131	90,165	133,842	356,064	1,591,031
Additions	20	104,157	1,311	10,986	50,973	167,447
Acquisition of subsidiaries	1,341	8,870	1,116	4,061	6,865	22,253
Exchange gains/(losses)	(95)	(666)	517	(191)	581	146
Disposals/write-off	–	(45,981)	(7,192)	(10,850)	(46,925)	(110,948)
As at 31 December 2019	250,095	828,511	85,917	137,848	367,558	1,669,929
ACCUMULATED DEPRECIATION						
As at 1 January 2019	152,395	652,104	81,877	107,061	233,098	1,226,535
Charge for the year	10,957	65,023	2,192	11,421	75,284	164,877
Disposals/write-off	–	(39,953)	(6,975)	(10,450)	(46,925)	(104,303)
As at 31 December 2019	163,352	677,174	77,094	108,032	261,457	1,287,109
CARRYING VALUE						
As at 31 December 2019	86,743	151,337	8,823	29,816	106,101	382,820

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20. INVESTMENT PROPERTIES

	As at 31 December	
	2019	2018
COST		
At the beginning of the year	8,280	–
Additions	–	8,280
At the end of the year	8,280	8,280
DEPRECIATION		
At the beginning of the year	49	–
Provided for the year	197	49
At the end of the year	246	49
CARRYING VALUES		
At the end of the year	8,034	8,231

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

21. LEASES

(a) Right-of-use assets

	Year ended 31 December
	Buildings
Cost	
As at 1 January 2019	1,487,214
Additions	329,147
Acquisition of subsidiaries	8,993
Deductions	(8,570)
Exchange differences	928
As at 31 December 2019	1,817,712
Accumulated depreciation	
As at 1 January 2019	–
Charge for the year	483,386
Deductions	(5,328)
As at 31 December 2019	478,058
Net book value	
As at 1 January 2019	1,487,214
As at 31 December 2019	1,339,654

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21. LEASES (continued)

(b) Lease liabilities

The Group's lease liability is analysed by the maturity date – undiscounted analysis

	Year ended 31 December	
	2019	2018
Less than 1 year	546,693	N/A
Over 1 years	941,105	N/A
Undiscounted lease liability	1,487,798	N/A
Lease liability	1,336,724	N/A

22. GOODWILL

	Goodwill
Gross carrying amount	
As at 1 January 2019	223,278
Acquisition of a subsidiary (Note 5)	206,653
Exchange gains	9,608
As at 31 December 2019	439,539
Accumulated impairment losses	
As at 1 January 2019	–
Impairment losses recognized during the reporting period	–
As at 31 December 2019	–
Net book value	
As at 1 January 2019	223,278
As at 31 December 2019	439,539

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22. GOODWILL (continued)

Impairment testing on goodwill

Goodwill acquisition through business combination is allocated to the following cash-generating units for impairment testing:

- Securities brokerage business cash-generating unit; and
- CGS-CIMB business cash-generating unit

Securities brokerage business cash-generating unit

The recoverable amount of the securities brokerage CGU has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and at a discount rate of 15.80% as at 31 December 2019 (31 December 2018: 14.75%). The cash flows beyond the 5-year period are assumed to remain unchanged. The discount rates used reflect specific risks relating to the CGU.

During the years ended 31 December 2019 and 2018, management of the Group determined that there was no impairment of the relevant Cash Generating Unit ("CGU") containing the goodwill and trading rights with indefinite useful lives (see Note 23) as the recoverable amounts of the CGU exceed their respective carrying amounts.

CGS-CIMB business cash-generating unit

The Group acquired the CGS-CIMB in April 2019. The Group recognized the excess of acquisition cost over the fair value of the net identifiable assets acquired as the goodwill. Refer to Note 5 for more details.

The carrying amount of goodwill allocated to each of the cash-generating unit is as follows:

	Securities brokerage		CGS-CIMB		Total	
	2019	2018	2019	2018	2019	2018
Carrying amount of goodwill	223,278	223,278	216,261	–	439,539	223,278

Assumptions were used in the value in use calculation of the securities brokerage CGUs for 31 December 2019 and 31 December 2018. The following describes each key assumption on which management has based on its cash flow projections to undertake impairment testing of goodwill:

Budgeted income and gross margin – such estimation is based on the unit's past performance and management's expectations for the market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount. There was no impairment recognized as the recoverable amount of the CGU was higher than its carrying amount.

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23. OTHER INTANGIBLE ASSETS

	Trading rights	Trademark	Computer software and others	Total
COST				
As at 1 January 2018	303,910	—	309,354	613,264
Additions	—	—	53,006	53,006
Disposals/write-off	—	—	(896)	(896)
As at 31 December 2018	303,910	—	361,464	665,374
ACCUMULATED AMORTIZATION				
As at 1 January 2018	—	—	227,468	227,468
Charge for the year	—	—	47,002	47,002
Disposals/write-off	—	—	(763)	(763)
As at 31 December 2018	—	—	273,707	273,707
CARRYING VALUE				
As at 31 December 2018	303,910	—	87,757	391,667
COST				
As at 1 January 2019	303,910	—	361,464	665,374
Additions	—	7,784	68,527	76,311
Acquisition of subsidiaries	1,573	—	117,379	118,952
Exchange gains	48	68	(22,203)	(22,087)
Disposals/write-off	—	—	(9,960)	(9,960)
As at 31 December 2019	305,531	7,852	515,207	828,590
ACCUMULATED AMORTIZATION				
As at 1 January 2019	—	—	273,707	273,707
Charge for the year	—	1,668	64,999	66,667
Disposals/write-off	—	—	(5,322)	(5,322)
As at 31 December 2019	—	1,668	333,384	335,052
CARRYING VALUE				
As at 31 December 2019	305,531	6,184	181,823	493,538

Trading rights mainly comprise the trading rights on the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Stock Exchange and Hong Kong Futures Exchange. These rights allow the Group to trade securities and futures contracts on or through these exchanges.

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23. OTHER INTANGIBLE ASSETS (continued)

Impairment testing on intangible assets with indefinite useful lives

The trading rights and trademark held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. These intangible assets will not be amortized until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. They are assessed for impairment individually or attached to the relevant CGUs.

The respective recoverable amounts of these trading rights or CGUs where the trading rights are allocated to, using a value in use calculation, exceed their carrying amounts. Accordingly, there was no impairment of the trading rights as at 31 December 2019 and 2018.

24. INTEREST IN A JOINT VENTURE

(1) Details of the Group's investment in a joint venture are as follows:

	As at 31 December	
	2019	2018
As at 1 January	876,823	—
Cost of investment in a joint venture	1,276,265	912,187
Share of post-acquisition profits and other comprehensive income	17,294	(7,705)
Disposals (Note)	(859,340)	—
Exchange adjustments and other	9,094	(27,659)
	1,320,136	876,823

Note: The Group has obtained controls over CGS-CIMB and consolidated it as a subsidiary since 1 April 2019, rather than an investment in a joint venture using the equity method. Refer to Note 5 for more details.

(2) Details of the Group's joint venture at the end of the reporting period are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group 31/12/2019	Proportion of voting rights held by the Group 31/12/2019	Principal activities
CGS-CIMB Holdings Sdn. Bhd.	Malaysia	Malaysia	50%	50%	Securities and futures broking, securities margin trading and research

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25. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2019	2018
Non-current		
Debt securities	–	779,180
Funds	–	1,940,124
Trust schemes (a)	115,290	1,545,934
Other investments (b)	2,224,542	1,277,596
	2,339,832	5,542,834
Current		
Debt securities	47,983,207	35,144,784
Equity securities	5,802,802	5,765,670
Funds	10,699,749	10,826,378
Structured deposits and wealth management products	2,548,066	1,434,340
Trust schemes (a)	432,141	213,627
Other investments (b)	3,440,857	811,517
Add: Interest receivables	792,465	599,131
	71,699,287	54,795,447

- (a) The balance mainly represents investments in trust schemes which were issued and managed by a non-bank financial institution. Underlying assets of these trust schemes are asset-backed securities issued by a bank. The schemes bear effective interest at rates of 8.76%-9.98% per annum.
- (b) The balance mainly represents investments in: (i) collective asset management schemes issued and managed by the Group, whereby the Group's interest in and exposure to them are not significant, (ii) targeted asset management schemes (or trust investments) managed by non-bank financial institutions, which mainly invest in debt securities, publicly traded equity securities listed in the PRC, funds and loans, (iii) limited partnerships managed by non-bank financial institutions, which mainly invest in unlisted enterprises, (iv) equity investments in unlisted enterprises, and (v) perpetual bond.

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26. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December	
	2019	2018
Non-current		
Analyzed by collateral type:		
Equity securities	13,622,331	18,659,121
Less: Impairment	(13,331)	(29,059)
	13,609,000	18,630,062
Analyzed by market of collateral:		
Stock exchanges	13,609,000	18,630,062
Current		
Analyzed by collateral type:		
Equity securities	14,743,573	19,109,288
Debt securities	2,344,731	2,178,015
Funds	–	5,118
Add: Interest receivable	92,280	130,294
Less: Impairment	(351,500)	(85,703)
	16,829,084	21,337,012
Analyzed by market of collateral:		
Stock exchanges	16,829,084	21,337,012

The movements in the allowance for impairment of financial assets held under resale agreements are set out below:

	Year ended 31 December	
	2019	2018
At the beginning of the year	114,762	80,147
Impairment losses recognized, net of reversal (Note 15)	254,129	35,512
Transfer out	(4,060)	(897)
At the end of the year	364,831	114,762

Details of impairment assessment are set out in Note 58.

As at 31 December 2019, the fair values of collateral received by the Group were approximately RMB83,049 million (31 December 2018: RMB84,725 million).

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27. DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2019	2018
Non-current		
Debt securities	100,053	101,603
Current		
Debt securities	22,416,030	16,808,936
Add: Interest receivable	501,407	388,691
	22,917,437	17,197,627

The movements in the allowance for impairment of debt instruments measured at fair value through other comprehensive income are set out below:

	Year ended 31 December	
	2019	2018
At the beginning of the year	28,522	29,824
Impairment losses recognized, net of reversal (Note 15)	69,817	(1,302)
At the end of the year	98,339	28,522

Details of impairment assessment are set out in Note 58.

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28. EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2019	2018
Non-current		
Perpetual bonds	11,350,447	2,158,677
Equity investments ⁽²⁾	7,998,645	7,618,758
	19,349,092	9,777,435
	As at 31 December	
	2019	2018
Current		
Equity investments ⁽²⁾	156	—
	156	—

- (1) These equity instruments are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies. At the date of initial application of IFRS 9, the Group elected to present in OCI the subsequent changes in fair value of these investments previously classified as available-for-sale financial assets carried at fair value under IAS 39.
- (2) As at 31 December 2019, the cost and fair value of the Company's investment managed by CSFCL were RMB 7,800 million and RMB7,999 million, respectively.
- (3) During the year, the Group did not dispose of any investment in a perpetual bond.

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29. DEBT INSTRUMENTS MEASURED AT AMORTIZED COST

	As at 31 December	
	2019	2018
Non-current		
Debt securities ⁽¹⁾	4,326,289	4,438,628
Less: Impairment	(11,946)	(3,233)
	4,314,343	4,435,395
Current		
Debt securities ⁽¹⁾	588,173	244,900
Unsecured loans ⁽²⁾	—	233,522
Others	75,259	25,540
Add: Interests receivable	59,854	128,134
Less: Impairment	(6,333)	(5,713)
	716,953	626,383

(1) As at 31 December 2019, the interest rates on these debt securities are between 3.12%-7.45% per annum. (31 December 2018: 3.85%-7.75% per annum).

(2) The movements in the allowance for impairment of debt instruments measured at amortized cost are set out below:

	Year ended 31 December	
	2019 (Audited)	2018 (Audited)
At the beginning of the year	8,946	2,475
Impairment losses recognized, net of reversal (Note 15)	9,333	6,471
At the end of the year	18,279	8,946

Details of impairment assessment are set out in Note 58.

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30 OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2019	2018
Non-current		
Prepayments	1,088,840	1,088,840
Others	17,759	–
	1,106,599	1,088,840
Current		
Prepaid taxes	5,101	4,162
Interest receivable	19,138	9,035
Prepayments	192,049	213,150
Assets disposal receivable	40,000	110,000
Margin financing clients receivable	256,764	280,728
Inventories	810,304	697
Others	821,533	281,959
Subtotal	2,144,889	899,731
Less: Impairment	(302,890)	(307,816)
Total	1,841,999	591,915

The movements in the allowance for impairment of other receivables are set out below:

	Year ended 31 December	
	2019	2018
At the beginning of the year	307,816	16,662
Impairment losses recognized, net of reversal (Note 15)	67,247	11,165
Amounts written off	(52,195)	(1,708)
Exchange difference and others	(19,978)	281,697
At the end of the year	302,890	307,816

Details of the impairment assessment are set out in Note 58.

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31. DEPOSITS WITH EXCHANGES AND A NON-BANK FINANCIAL INSTITUTION

	As at 31 December	
	2019	2018
Non-current		
Deposits with stock exchanges	107,648	368,913
Deposits with futures and commodity exchanges	17,031	104,464
Guarantee fund paid to the Shenzhen Stock Exchange	111,913	5,281
Others	236,171	33,043
	472,763	511,701
Current		
Deposits with futures and commodity exchanges	10,061,335	4,701,658
Deposits with CSFCL	201,158	62,468
	10,262,493	4,764,126

32. DEFERRED TAXATION

For presentation purpose, certain deferred tax assets and deferred tax liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December	
	2019	2018
Deferred tax assets	99,832	477,454
Deferred tax liabilities	261,392	10,096
	(161,560)	467,358
	Year ended 31 December	
	2019	2018
Net deferred income tax assets, at the beginning of the period	467,358	146,501
Recognized in profit or loss	(510,975)	217,325
Recognized in other comprehensive income	(152,558)	103,545
Deferred taxes acquire in business combinations	34,615	–
Reclassified from other comprehensive income to retained profits	–	(13)
Net deferred income tax liabilities/assets, at the end of the period	(161,560)	467,358

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes, if any, and the taxes are to be levied by the same tax authority, and of the same taxable entity.

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32. DEFERRED TAXATION (continued)

The movements of deferred tax assets and liabilities are set out below:

	Changes in fair value of financial assets at fair value through profit or loss	Changes in fair value of financial assets at FVTOCI	Accrued staff costs	Allowance for impairment losses	Accrued interest expenses	Accrued expenses	Changes in fair value of derivative instruments	Accrued interest income	Others	Total
As at 1 January 2018	560,899	(155,398)	116,196	56,560	420,214	17,737	(230)	(876,170)	6,693	146,501
(Charge)/credit to profit or loss	(285,668)	-	193,840	94,141	149,823	(2,313)	(30,736)	107,533	(9,295)	217,325
Charge to other comprehensive income	-	103,545	-	-	-	-	-	-	-	103,545
Reclassified from other comprehensive income to retained profits	-	(13)	-	-	-	-	-	-	-	(13)
As at 31 December 2018	275,231	(51,866)	310,036	150,701	570,037	15,424	(30,966)	(768,637)	(2,602)	467,358
(Charge)/credit to profit or loss	(480,755)	-	(78,984)	76,371	(4,071)	6,891	70,273	(80,695)	(20,005)	(510,975)
Credit to other comprehensive income	-	(152,558)	-	-	-	-	-	-	-	(152,558)
Deferred taxes acquired in business combinations	-	-	12,781	2,301	-	-	-	-	19,533	34,615
As at 31 December 2019	(205,524)	(204,424)	243,833	229,373	565,966	22,315	39,307	(849,332)	(3,074)	(161,560)

- (1) At the end of the reporting period, the Group has unrecognized deductible temporary differences of approximately RMB116 million (31 December 2018: RMB148 million) as at 31 December 2019, as it is not probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilized.

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33. ADVANCES TO CUSTOMERS

	As at 31 December	
	2019	2018
Non-current		
Loans to margin clients	129,213	–
Other loans and advances	70,022	–
	199,235	–
Current		
Loans to margin clients	55,471,007	41,394,022
Other loans and advances	1,139,634	1,555,923
Add: Interest receivable	2,042,685	1,783,693
Less: Impairment	(131,242)	(101,695)
	58,522,084	44,631,943

- (1) The credit facility limits for margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

In addition to the cash collaterals as disclosed in Note 45, the Group also receive securities collaterals with fair value of RMB173,528 million (31 December 2018: RMB112,460 million) from brokerage clients for margin financing or securities lending arrangements. These securities collaterals were not recognized in the Group's consolidated financial statements. As at 31 December 2019 and 2018, the fair values of cash and securities collaterals held by the Group for majority of the margin clients are higher the carrying amounts of each individually.

Based on the agreement terms with margin clients in Hong Kong, the Group is able to repledge 'clients' securities for margin financing arrangements with qualified financial institutions. The fair values of these listed securities at 31 December 2019 was RMB7,239 million (31 December 2018: RMB7,116 million) and the corresponding balances advanced to clients amounted to RMB1,565 million (31 December 2018: RMB1,664 million).

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value to the users of these consolidated financial statements in view of the nature of business of securities margin financing.

The Group determines the allowance for advance to customers based on the evaluation of collectability and on management's judgment including the assessment of change in credit quality and collateral.

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33. ADVANCES TO CUSTOMERS (continued)

(2) The movements in the allowance for impairment are set out below:

	Year ended 31 December	
	2019	2018
At the beginning of the period	101,695	108,431
Impact of acquisition of subsidiaries	7,335	–
Impairment losses recognized, net of reversal (Note 15)	(3,944)	287,694
Amounts written off	–	(13,630)
Exchange difference and others	26,156	(280,800)
At the end of the period	131,242	101,695

Details of impairment assessment are set out in Note 58.

The concentration of credit risk is limited due to the customer base being large and diversified.

34. ACCOUNTS RECEIVABLE

	As at 31 December	
	2019	2018
Accounts receivable of:		
Client securities settlement	2,051,576	80,261
Brokers and dealers	1,019,158	154,987
Clearing house	1,611,298	85,840
Underwriting and sponsors fee	180,803	175,689
Trading rights rental commission	49,437	33,330
Asset management and funds distribution handling fees	210,441	178,741
Others	122,412	17,555
Subtotal	5,245,125	726,403
Less: Impairment	(128,287)	(83,291)
Total	5,116,838	643,112

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34. ACCOUNTS RECEIVABLE (continued)

An aging analysis of accounts receivable, based on the revenue recognition dates, is as follows:

	As at 31 December	
	2019	2018
Within 1 year	4,976,822	533,941
Between 1 and 2 years	42,448	28,877
Between 2 and 3 years	20,637	5,010
Over 3 years	76,931	75,284
	5,116,838	643,112

The movements in the allowance for impairment of accounts receivable are set out below:

	Year ended 31 December	
	2019	2018
At the beginning of the year	83,291	16,504
Impact of acquisition of subsidiaries	33,588	–
Impairment losses recognized, net of reversal (Note 15)	11,493	69,055
Amounts written off	(2,740)	(2,268)
Exchange difference and others	2,655	–
At the end of the year	128,287	83,291

The credit term of accounts receivable is generally within three months. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimize credit risk. Overdue balances are regularly monitored by management.

Details of impairment assessment are set out in Note 58.

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35. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December					
	2019			2018		
	Nominal amounts	Asset	Liability	Nominal amounts	Asset	Liability
Hedging instruments:						
Currency forward	1,125	62	1,063	960,848	–	20,205
Non-hedging instruments:						
Equity Derivatives						
Equity return swap	2,743,602	28,228	171,100	119,813	1,521	192,869
Options	76,822,540	170,361	297,617	4,959,014	64,652	–
Stock index futures	3,462,808	–	12	4,407,471	–	339
Interest Rate Derivatives						
Interest Rate swaps	106,300,001	–	–	17,500,000	–	–
Other derivatives						
Treasury bond futures	28,944,196	–	–	5,965,643		–
Commodity Futures	5,388,390	–	–	1,311,046	–	–
Other forward contract	39,636	9,852	–	43,846	10,118	–
Total	223,702,298	208,503	469,792	35,267,681	76,291	213,413

- (1) Under the daily mark-to-market and settlement arrangement, stock index futures, interest rate swap, treasury bond futures and commodity futures were settled daily and the corresponding receipts and payments were included in bank balances and clearing settlement funds.

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36. CLEARING SETTLEMENT FUNDS

	As at 31 December	
	2019	2018
Clearing settlement funds held with clearing houses for:		
– House accounts	1,756,699	1,039,329
– Clients accounts	9,485,072	11,623,905
Add: Interest receivable	34,704	23,309
Total	11,276,475	12,686,543

These clearing settlement funds are held by the clearing houses for the Group and these balances carry interest at prevailing market interest rates.

37. BANK BALANCES

	As at 31 December	
	2019	2018
House accounts	9,888,277	8,657,213
Cash held on behalf of customers	60,281,957	42,528,973
Add: Interest receivable	159,042	227,445
	70,329,276	51,413,631

Bank balances comprise time and demand deposits at banks which bear interest at the prevailing market rates.

The Group maintains accounts with banks to hold customers' deposits arising from normal business transactions. The corresponding liabilities are recorded as accounts payable to brokerage clients (Note 45).

As at 31 December 2019, the ECL allowance for bank balances amounted to RMB3 million.

Details of impairment assessment are set out in Note 58.

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38. SHARE CAPITAL

The Company's number of shares and nominal value are as follows:

	As at 31 December	
	2019	2018
Issued and fully paid ordinary shares of RMB1 each (in thousands)		
Domestic shares	6,446,274	6,446,274
H shares	3,690,985	3,690,985
	10,137,259	10,137,259
Share capital (in RMB'000)		
Domestic shares	6,446,274	6,446,274
H shares	3,690,985	3,690,985
	10,137,259	10,137,259

39. RESERVES AND RETAINED PROFITS

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value and the difference between the considerations of the acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets. As at December 31 2019, the amount attributable to the owners of the company is RMB25,022.90 million (December 31 2018: 25,022.90 million).

(b) Investment revaluation reserve

The investment revaluation reserve represents cumulative gains and losses arising on the revaluation of equity instruments at FVTOCI, debt instruments at FVTOCI and AFS investments that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those equity instruments at FVTOCI and debt instruments at FVTOCI are disposed of or are determined to be impaired. As at December 31 2019, the amount attributable to the owners of the company is RMB 613.28 million (December 31 2018: 155.60 million).

(c) Cash flow hedging reserve

The cash flow hedging reserve represents the cumulative effective portion of gains and losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain and loss arising on changes in fair value of the hedging instrument that are recognized and accumulated under the cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy. As at December 31 2019, the amount attributable to the owners of the company is RMB0.33 million (December 31 2018: -20.21 million).

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39. RESERVES AND RETAINED PROFITS (continued)

(d) Translation reserve

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and the income and expenses are translated at the average exchange rates or at the approximate exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in the translation reserve. As at December 31 2019, the amount attributable to the owners of the company is RMB259.84 million (December 31 2018: 139.75 million).

(e) General reserves

General reserves comprise of the statutory surplus reserve, discretionary surplus reserve, reserve for general risk and transaction risk reserve. As at December 31 2019, the amount attributable to the owners of the company is RMB16,017.02 million (December 31 2018: 14,536.63 million).

Pursuant to the Company Law of the PRC, in accordance with the Company's articles of association, 10% of the net profit of the Company, determined in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory surplus reserve until such time when this reserve reaches 50% of the share capital of the Company. The reserve appropriated can be used for expansion of business scale and capitalization. If the statutory surplus reserve is capitalized into share capital, the remaining reserve is required to be not less than 25% of the Company's registered capital before capitalization.

The Company may also make appropriations from its net profit to the discretionary surplus reserve provided the appropriation is approved by a resolution of the shareholders.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit before distribution, determined in accordance with PRC GAAP, to the reserve for general risk.

Pursuant to the Securities Law of the PRC, the Company is required to appropriate 10% of the net profit before distribution, determined in accordance with PRC GAAP, to the transaction risk reserve.

The Company's PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to the statutory surplus reserve, the reserve for general risk and the transaction risk reserve.

Out of the Group's retained profits, an amount of RMB200.45 million as at 31 December 2019 (31 December 2018: RMB165 million) represents the Company's share of its subsidiaries' statutory surplus reserve which cannot be used for profit distribution.

(f) Distributable profits

In accordance with the relevant regulations, the distributable profits of the Company are deemed to be the lower of (i) the retained profits determined in accordance with PRC GAAP and (ii) the retained profits determined in accordance with IFRSs.

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(Amounts in thousands of Renminbi, unless otherwise stated)

40. BONDS PAYABLE

As at 31 December 2019 and 2018, bonds payable comprised subordinated bonds and corporate bonds.

Details of the bonds issued by the Group are as follows:

Non-current

Issue date	Maturity date	Coupon rate	As at 31 December 2019 Carrying amount	As at 31 December 2018 Carrying amount
4 February 2015	4 February 2020	4.80%	–	1,040,279
1 June 2016	1 June 2021	3.35%	610,425	609,465
23 August 2016	23 August 2021	3.14%	1,006,606	1,003,606
27 April 2017	28 April 2020	4.99%	–	4,874,157
10 July 2017	10 July 2020	4.55%	–	5,099,641
18 September 2017	18 September 2020	4.69%	–	4,043,904
16 January 2018	17 January 2020	5.55%	–	3,572,780
16 January 2018	17 January 2021	5.65%	1,578,676	1,545,724
9 February 2018	12 February 2020	5.60%	–	1,382,669
9 February 2018	12 February 2021	5.70%	1,048,738	1,056,191
14 March 2018	14 March 2021	5.15%	2,596,015	2,502,130
18 April 2018	19 April 2020	5.20%	–	827,405
18 April 2018	19 April 2021	5.30%	3,314,386	3,310,360
23 May 2018	24 May 2020	5.38%	–	5,666,136
24 October 2018	25 October 2021	4.48%	5,030,725	5,024,436
14 December 2018	17 December 2021	4.28%	1,499,022	1,497,135
29 January 2019	30 January 2022	4.05%	4,139,064	–
26 February 2019	27 February 2022	4.20%	3,511,590	–
7 March 2019	11 March 2021	4.10%	3,299,354	–
7 March 2019	11 March 2022	4.25%	3,507,918	–
			31,142,519	43,056,018

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40. BONDS PAYABLE (continued)

Current

Issue date	Maturity date	Coupon rate	As at	As at
			31 December 2019 Carrying amount	31 December 2018 Carrying amount
4 February 2015	4 February 2020	4.80%	1,043,279	—
27 April 2017	28 April 2020	4.99%	4,878,855	—
10 July 2017	10 July 2020	4.55%	5,102,786	—
18 September 2017	18 September 2020	4.69%	4,047,259	—
16 January 2018	17 January 2020	5.55%	3,685,735	—
9 February 2018	12 February 2020	5.60%	1,259,232	—
18 April 2018	19 April 2020	5.20%	828,914	—
23 May 2018	24 May 2020	5.38%	5,676,512	—
15 March 2016*	14 March 2021	4.30%	—	310,112
1 June 2016	1 June 2019	3.10%	—	4,983,615
23 August 2016	23 August 2019	2.89%	—	1,511,302
21 February 2017	27 February 2019	4.65%	—	2,597,078
20 March 2017	23 March 2019	4.98%	—	1,826,963
20 March 2017	23 September 2019	4.98%	—	2,531,966
27 April 2017	28 April 2019	4.95%	—	4,784,082
20 October 2017	20 October 2019	5.03%	—	4,033,165
6 December 2017	6 December 2019	5.53%	—	4,094,705
			26,522,572	26,672,988

All of these bonds are denominated in RMB.

* For the bonds issued on 15 March 2016, the Group has decided to exercise the early redemption option. On 14 March 2019, the redemption was completed.

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41. FINANCING PAYABLES

	As at 31 December 2019 Carrying Amount	As at 31 December 2018 Carrying Amount
Non-current		
Financing notes (2)	1,433,758	3,243,512
Total	1,433,758	3,243,512
Current		
Short-term bond payables (1)	8,023,543	—
Financing notes (2)	13,967,102	13,289,357
Derivative debenture (3)	593,382	—
Total	22,584,027	13,289,357

(1): Short-term bond payables

The details of short-term bond payables as at 31 December 2019 are as follows:

Name	Issue amount RMB'000	Value date	Maturity date	Coupon rate
19 CGS CP001	1,000,000	21/10/2019	17/01/2020	2.87%
19 CGS CP002	4,000,000	21/11/2019	19/02/2020	3.09%
19 CGS CP003	3,000,000	16/12/2019	13/03/2020	3.04%

(2): Financing notes

Financing notes are a special type of financing allowed by CSRC.

As at 31 December 2019, for financing notes issued by the Company, their coupon rates are from 2.65% to 6.66% (31 December 2018: 3.35% to 5.40%). Their principals and interests are not associated with any particular securities.

(3): Derivative debenture

Derivative debentures are debentures which the Group offers to general investors, who are institutional investors and high net worth investors, and are issued under conditions approved by the Office of the Thai Securities and Exchange Commission.

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42. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

(1) Financial liabilities held for trading:

	As at 31 December	
	2019	2018
Current		
Equity Securities	–	13,312
Securities lending	6,798	–
	6,798	13,312

(2) Financial liabilities designated as at fair value through profit or loss:

	As at 31 December	
	2019	2018
Non-current		
Financing payables linked to stock index	–	367,503
Structured products embedded with equity swaps	52,741	455,556
	52,741	823,059
Current		
Financing payables linked to stock index	454,649	361,490
Structured products embedded with equity swaps	1,203,894	260,837
	1,658,543	622,327

Financing payables linked to stock index are financing instruments issued by the Group and its returns to holders are linked to the performance of stock index.

Structured products embedded with equity swaps are payable to the clients at maturity of the corresponding derivatives and its balance is linked to the performance of the corresponding equity swaps.

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43. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2019	2018
Non-current		
Third-party interests in consolidated structured entities	466,476	2,096,097
	466,476	2,096,097
Current		
Third-party interests in consolidated structured entities	198,447	297,771
Customer deposits held for swap transactions	406,282	399,275
Payables to margin clients	795,661	989,639
Settlement deposits payable	1,923,726	26,380
Value-added tax and other taxes	313,928	153,996
Accrued expenses	302,371	84,774
Sundry payables	77,734	82,617
Payable for the securities investor protection fund	63,879	46,577
Payables to commodity trading clients	386,157	92,614
Payable for acquisition of a joint venture	–	85,828
Others	619,527	355,425
	5,087,712	2,614,896

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44. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2019	2018
Secured short-term bank loans ⁽¹⁾	45,000	8,762
Unsecured short-term bank loans ⁽²⁾	9,896,392	2,999,233
Margin funds loans	4,000,000	2,000,000
Add: Interests payable	11,335	4,669
	13,952,727	5,012,664

- (1) The short-term bank loans borrowed by the Group are secured by inventories with a fair value of approximately RMB53 million as at 31 December 2019 (31 December 2018: RMB1,241 million). As at 31 December 2019, these short-term bank loans bear interest at 4.9% per annum (31 December 2018: Hibor plus 130 basis point per annum) and are repayable within 1 year (31 December 2018: within 7 days).
- (2) As at 31 December 2019, the unsecured short-term bank loans bear interest at 1.73%-11.05% per annum (31 December 2018: 2.31%-4.10% per annum) and are repayable within 1 year (31 December 2018: within 1 month).
- (3) The margin funds loans borrowed by the Group from CSFCL are secured by cash collateral of RMB201 million and shares listed in the PRC with a fair value of approximately RMB824 million. These margin funds loans bear interest at 3.25% per annum and are repayable within 6 months.

45. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value to the readers of these consolidated financial statements in view of the nature of these businesses.

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group, and are interest-bearing at the prevailing market interest rate.

As at 31 December 2019, included in the Group's accounts payable to brokerage clients were approximately RMB6,910 million (31 December 2018: RMB5,399 million) received from clients for margin financing and securities lending arrangement.

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46. ACCRUED STAFF COSTS

	As at 31 December	
	2019	2018
Salaries, bonus and allowances	2,689,406	2,064,363
Social welfare	15,820	13,229
Annuity schemes	11,263	14,640
Supplementary retirement benefits	418,018	345,668
Early retirement benefits	893	1,197
Others	219,329	152,422
	3,354,729	2,591,519

Note: Supplementary retirement benefits

Supplementary retirement benefits contain two parts: 1) pensions and medical benefits to qualified employees who retired on or before 31 December 2014 and are still alive at the end of the reporting period; 2) during the year ended 31 December 2019, additional supplementary benefits including heating and cooling expenses reimbursements to certain existing employees after their retirements were introduced to those employees by the Group. Accordingly, the increases in the present value of the supplementary retirement benefits for employee service in prior periods and the current period were recognized as past service costs and current service costs respectively during the year ended 31 December 2019.

The present value of these supplementary retirement benefits, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Movements in the present value of supplementary retirement benefits are as follows:

	Year ended 31 December	
	2019	2018
Beginning of the year	345,668	308,056
Changes due to acquisition of subsidiary	55,151	—
Amounts charged to profit or loss:		
Current service costs	13,513	4,835
Past service costs	(2)	—
Interest on obligation	14,993	12,843
Benefits paid	(17,307)	(11,721)
Amount credited/(charged) to OCI:		
Actuarial losses arising from assumption changes	6,398	31,891
Actuarial (gains)/losses from experience adjustments	(2,714)	(236)
Exchange difference	2,318	—
End of the year	418,018	345,668

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46. ACCRUED STAFF COSTS (continued)

Note: Supplementary retirement benefits (continued)

Net interest on the net defined benefit plan liability was included in staff costs.

The plans typically expose the Company to interest rate risk and longevity risk.

- Interest rate risk: a decrease in the bond interest rate will increase the plan liability.
- Longevity risk: the present value of the defined benefit plan liability is calculated by reference to the best estimate of China Life Insurance Pension life table (CLA2010-2013). An increase in the life expectancy of the plan participants will increase the plan's liability.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Valuation at	
	31 December 2019 %	31 December 2018 %
Discount rates of supplementary retirement benefits	3.55	3.60
Expected rates of increase in benefits	4.00	4.00
Mortality rates	According to the China Life Insurance Mortality Table (published historical statistics in China)	

Discount rates are set to be the government bond yields with similar maturities and vary for different types of benefits. As at 31 December 2019, the duration of these supplementary retirement benefits was 18.0 (31 December 2018: 19.0).

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation of the Company are discount rate and benefit growth rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

		Benefit obligation	
Effect on the pension	Change in assumptions	31 December 2019	31 December 2018
Discount rate	-50bps	28,416	28,036
Discount rate	+50bps	(25,310)	(24,946)
Benefit growth rate	-50bps	(15,995)	(16,332)
Benefit growth rate	+50bps	29,315	28,918

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47. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December	
	2019	2018
Current		
Analyzed by collateral type:		
Debt securities	53,851,967	27,530,170
Funds	911,415	449,433
Add: Interests payable	92,272	80,337
	54,855,654	28,059,940
Analyzed by market of collateral:		
Stock exchanges	38,951,248	20,189,823
Interbank bond market	15,812,134	7,789,780
Add: Interests payable	92,272	80,337
	54,855,654	28,059,940

Financial assets sold under repurchase agreements bear effective interest at 2.00%-4.20% (31 December 2018: 2.61%-10.20%) per annum.

48. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	As at 31 December	
	2019	2018
Bank balances – house accounts	8,743,140	7,606,263
Clearing settlement funds – house accounts	1,756,699	1,039,329
	10,499,839	8,645,592

Cash and cash equivalents do not include bank deposits with original maturity of more than three months held by the Group. As at 31 December 2019, bank deposits with original maturity of more than three months held by the Group were RMB1,757 million (31 December 2018: RMB1,051 million) and there were no bank deposits restricted for use (31 December 2018: Nil).

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49. INTERESTS IN STRUCTURED ENTITIES

(a) Structured entities set up and managed by the Group

Structured entities consolidated by the Group include the asset management schemes, funds and other investments where the Group involves as investment manager or investment consultant and also as investor. These special vehicles issue units to investors, including the Group, to finance its operations, which are primarily investments in various debt and equity instruments.

The Group has committed to holding investments of RMB796 million (31 December 2018: RMB93 million) in collective asset management schemes managed by the Group till the end of the investment period. These investments are usually the most junior tranches in these schemes and will be utilized to absorb losses of more senior tranches. As at 31 December 2019 and 2018, the contributions from the Group to those collective asset management schemes equaled the committed investments and the Group's maximum losses are limited to the carrying amounts of these investments.

As at 31 December 2019, the total assets of the consolidated structured entities are RMB5,611 million (31 December 2018: RMB13,830 million) and the total net assets of the consolidated structured entities are RMB5,193 million (31 December 2018: RMB12,201 million). The carrying amount of third party interests in the consolidated structured entities are RMB665 million (31 December 2018: RMB2,394 million), and these interests are presented in Note 43.

The Group also has interests in unconsolidated collective asset management schemes which the remuneration of the Group is commensurate with the services provided and the variable returns the Group exposed are not considered to be significant. The Group therefore considers such decision-making rights are acting as an agent for the investors and hence did not consolidate these structured entities.

The size of unconsolidated structured entities managed by the Group amounted to RMB213,017 million as at 31 December 2019 (31 December 2018: RMB245,174 million). The Group's interests are equal to the maximum exposure to loss of interests held by the Group in these unconsolidated structured entities, which amounted to RMB233 million as at 31 December 2019 (31 December 2018: RMB108 million).

During the year, management fee income and investment gains from the unconsolidated asset management schemes managed by the Group amounted to RMB671 million (31 December 2018: RMB772 million).

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49. INTERESTS IN STRUCTURED ENTITIES (continued)

(b) Structured entities set up and managed by third party institutions in which the Group holds interests

The types of structured entities that the Group does not consolidate but in which it holds interests include funds, asset management schemes, trust schemes, asset-backed securities and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the consolidated statement of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities as at 31 December 2019 and 31 December 2018, which are listed below:

	As at 31 December 2019	As at 31 December 2018
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through profit or loss
Carrying amount of interests held by the Group		
– Funds	10,699,748	12,766,502
– Trust schemes and wealth management products	2,643,098	2,572,235
– Asset management schemes	232,505	108,488
– Others	2,045,673	1,543,116
Total	15,621,024	16,990,341

50. TRANSFERS OF FINANCIAL ASSETS

In the normal course of business, the Group enters into certain transactions in which they transfer recognized financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognizes all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards on these assets, the Group continues to recognize these assets.

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50. TRANSFERS OF FINANCIAL ASSETS (continued)

Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security or rights and interests in a margin loan and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities and rights and interests in margin loans transferred. These securities and margin loans are not derecognized from the consolidated financial statements but regarded as “collateral” for the liabilities because the Group retains substantially all the risks and rewards of these securities and rights and interests in margin loans.

The proceeds from selling such securities are presented as financial assets sold under repurchase agreements, as disclosed in Note 47. Since the Group transfers contractual rights to receive the cash flows of the securities, it does not have the ability to sell or repledge these transferred securities during the term of these arrangements.

The following tables provide a summary of carrying amounts and fair values related to the transferred financial assets that are not derecognized in their entirety and the associated liabilities:

	Financial assets measured at fair value through profit or loss	Equity instruments measured at fair value through other comprehensive income	Debt instruments measured at fair value through other comprehensive income	Debt instruments measured at amortized cost	Total
As at 31 December 2019					
Carrying amount of transferred assets	30,798,792	9,225,618	15,067,522	2,360,327	57,452,259
Carrying amount of associated liabilities	(29,406,814)	(8,808,658)	(14,386,532)	(2,253,650)	(54,855,654)
Net position	1,391,978	416,960	680,990	106,677	2,596,605

	Financial assets measured at fair value through profit or loss	Equity instruments measured at fair value through other comprehensive income	Debt instruments measured at fair value through other comprehensive income	Advances to customers	Total
As at 31 December 2018					
Carrying amount of transferred assets	22,165,871	2,034,634	7,993,839	–	32,194,344
Carrying amount of associated liabilities	(19,339,407)	(1,769,271)	(6,951,262)	–	(28,059,940)
Net position	2,826,464	265,363	1,042,577	–	4,134,404

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50. TRANSFERS OF FINANCIAL ASSETS (continued)

Securities lending arrangement

The Group entered into securities lending agreements with clients. As at 31 December 2019, it lent out its own equity securities and ETF classified as financial assets measured at fair value through profit or loss of RMB165 million (31 December 2018: RMB385 million). As stipulated in the securities lending agreements, the legal ownership of these equity securities and ETF was transferred to the clients. Although the clients could sell these securities during the term of lending, they have obligations to return these securities to the Group at specified future dates and within a maximum period of 180 days. The Group has determined that it retains substantially all the risks and rewards of ownership of these securities and therefore has not derecognized these securities in the consolidated financial statements.

51. CAPITAL COMMITMENTS

	As at 31 December	
	2019	2018
Contracted but not provided for		
Leasehold improvements	81,318	31,719
Property and equipment	32,322	59,661
	113,640	91,380

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52. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

For the year ended 31 December 2019

Name	Fee	Salaries and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive Directors:					
Chen Gongyan	-	1,450	184	1,397	3,031
Chen Liang ⁽¹⁾	-	725	91	98	914
Gu Weiguo ⁽²⁾	-	615	101	548	1,264
Wu Chengming	-	1,450	209	1,429	3,088
Non-executive Directors:					
Li Chaoyang ⁽³⁾	-	92	342	1,864	2,298
Shi Xun ^{(3) (4)}	-	-	-	-	-
Liu Dingping ⁽⁴⁾	-	-	-	-	-
Wang Zelan ⁽⁵⁾	-	755	232	799	1,786
Xiao Lihong ⁽⁵⁾	-	-	-	-	-
Zhang Tianli ⁽⁵⁾	-	-	-	-	-
Independent Non-executive Directors:					
Liu Ruizhong	244	-	-	-	244
Liu Chun ⁽⁶⁾	198	-	-	-	198
Luo Lin ⁽⁷⁾	43	-	-	-	43
Wu Yuwu ⁽⁸⁾	91	-	-	-	91
Wang Zhenjun	248	-	-	-	248
Supervisors:					
Chen Jing	-	1,450	215	1,205	2,870
Chen Jijiang	-	597	215	780	1,592
Liu Zhiyi	-	658	221	836	1,715
Tao Libin	120	-	-	-	120
Zhong Cheng ⁽⁹⁾	-	1,873	-	-	1,873
Fang Yan ⁽¹⁰⁾	92	-	-	-	92

(1) Appointed as an executive director on 20 December 2019.

(2) Resigned as an executive director on 28 May 2019.

(3) Resigned as a non-executive director on 26 February 2019.

(4) The emoluments of these non-executive directors of the Company were borne or partially borne by its shareholders and other related parties including Galaxy Financial Holdings and Central Huijin Investment Ltd. ("Central Huijin"). No allocation of the emoluments among these related parties and the Group has been made.

(5) Appointed as a non-executive director on 26 February 2019.

(6) Appointed as an independent non-executive director on 26 February 2019.

(7) Resigned as an independent non-executive director on 26 February 2019.

(8) Resigned as an independent non-executive director on 29 May 2019.

(9) Resigned as a supervisor on 26 February 2019.

(10) Appointed as a supervisor on 26 February 2019.

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52. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

For the year ended 31 December 2018

Name	Fee	Salaries and allowances	Employer's contribution to pension schemes	Bonuses	Total
Executive Directors:					
Chen Gongyan	–	1,613	113	1,241	2,967
Gu Weiguo	–	1,613	113	1,117	2,843
Wu Chengming ⁽¹⁾	–	1,647	113	1,066	2,826
Non-executive Directors:					
Du Ping ^{(2) (3)}	–	–	–	–	–
Li Chaoyang ⁽⁴⁾	–	709	768	400	1,877
Shi Xun ^{(2) (4)}	–	–	–	–	–
Liu Dingping ^{(2) (5)}	–	–	–	–	–
Zhang Jinghua ^{(2) (6)}	–	–	–	–	–
Independent Non-executive Directors:					
Liu Ruizhong	253	–	–	–	253
Liu Feng ⁽⁷⁾	31	–	–	–	31
Luo Lin ⁽⁸⁾	260	–	–	–	260
Wu Yuwu	240	–	–	–	240
Wang Zhenjun ⁽⁹⁾	241	–	–	–	241
Supervisors:					
Chen Jing	–	1,613	113	1,092	2,818
Chen Jijiang	–	707	142	400	1,249
Liu Zhiyi	–	750	148	400	1,298
Tao Libin	120	–	–	–	120
Zhong Cheng ⁽¹⁰⁾	–	385	43	400	828
	1,145	9,037	1,553	6,116	17,851

(1) Resigned as an executive director on 26 February 2019.

(2) The emoluments of these non-executive directors of the Company were borne or partially borne by its shareholders and other related parties including Galaxy Financial Holdings and Central Huijin Investment Ltd. ("Central Huijin"). No allocation of the emoluments among these related parties and the Group has been made.

(3) Resigned as a non-executive director on 31 October 2018.

(4) Resigned as a non-executive director on 26 February 2019.

(5) Appointed as a non-executive director on 9 February 2018.

(6) Resigned as a non-executive director on 9 February 2018.

(7) Resigned as an independent non-executive director on 9 February 2018.

(8) Resigned as an independent non-executive director on 26 February 2019.

(9) Appointed as an independent non-executive director on 9 February 2018.

(10) Resigned as a supervisor on 26 February 2019.

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52. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

The supervisors' emoluments shown above were mainly for their services as supervisors of the Company.

Pursuant to the PRC relevant regulations, a portion of the performance-based bonus for certain executive directors, non-executive directors and supervisors are deferred for a minimum of 3 years contingent upon the future performance.

As of the date of the issuance of these consolidated financial statements, the above compensation packages including performance-based bonus for executive directors, non-executive directors and supervisors for the year ended 31 December 2019 have not been finalized. The management of the Group believes that the difference between the final emoluments and that disclosed above will not have a significant impact on the consolidated financial statements of the Group.

For the years ended 31 December 2019 and 2018, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

53. FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the five highest paid employees during the reporting periods are as follows:

	Year ended 31 December	
	2019	2018
Basic salaries and allowances	5,800	3,401
Bonuses	8,880	17,609
Employer's contribution to pension schemes	792	664
	15,472	21,674

Bonuses are discretionary and determined by reference to the Group's and the individuals' performance. No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years of 2019 and 2018.

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53. FIVE HIGHEST PAID INDIVIDUALS (continued)

The number of the highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December	
	2019 No. of employees	2018 No. of employees
Emolument bands		
– HKD3,000,001 to HKD3,500,000	4	–
– HKD3,500,001 to HKD4,000,000	1	–
– HKD4,000,001 to HKD4,500,000	–	–
– HKD4,500,001 to HKD5,000,000	–	3
– HKD5,000,001 to HKD5,500,000	–	1
– HKD6,000,001 to HKD6,500,000	–	1
– HKD10,000,001 to HKD10,500,000	–	–
	5	5

54. RELATED PARTY TRANSACTIONS

(a) Transactions and balances with governmental related entities operated in the PRC

(1) Immediate holding company and its fellow subsidiaries

Galaxy Financial Holdings is a financial holding company approved by the State Council of the PRC and was established in Beijing on 8 August 2005. Galaxy Financial Holdings owned 5,187,196,364 shares (31 December 2018: 5,186,538,364 shares), representing 51.17% of the entire equity interest of the Company as at 31 December 2019 (31 December 2018: 51.16%). The shareholders of Galaxy Financial Holdings are Central Huijin Investment Ltd. ("Central Huijin") with 69.07% equity interest, the Ministry of Finance (the "MOF") with 29.05% equity interest and the National Council for Social Security Fund (the "SSF") with 1.88% equity interest.

Central Huijin is a wholly-owned subsidiary of China Investment Corporation Limited, and is established in Beijing, PRC. Central Huijin was established to hold certain equity investments as authorized by the State Council and does not engage in other commercial activities. Central Huijin exercises legal rights and obligations in the Group on behalf of the PRC Government.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies.

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54. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions and balances with governmental related entities operated in the PRC (continued)

(1) Immediate holding company and its fellow subsidiaries (continued)

The SSF is a government agency at the ministerial level directly under the State Council of the PRC, primarily responsible for the management and operation of National Social Security Fund.

During the years ended 31 December 2019 and 2018, the Group provided securities brokerage and asset management services to Galaxy Financial Holdings and its subsidiaries and details of the significant transactions and balances are set out below.

	As at 31 December	
	2019	2018
Accounts receivable	8,807	8,500
Accounts payable to brokerage clients	309,569	84,373
Financial assets sold under repurchase agreements	–	–
Financing payables	–	425,098
Financial assets measured at fair value through profit or loss	–	–
	Year ended 31 December	
	2019	2018
Commission and fee income	56,189	48,192
Other income and gains	1,597	1,464
Interest expenses	25,756	21,337
Rental expenses paid or payable	139,205	104,485
Investment gains	–	1,286

During the year ended 31 December 2019, accounts payable to brokerage clients from Galaxy Financial Holdings amount to RMB201 million.

The rent paid by the Group to Galaxy Investment on the leasing contract was RMB138 million for the year ended 31 December 2019.

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54. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions and balances with governmental related entities operated in the PRC (continued)

(2) Central Huijin Group

Central Huijin holds equity interests in a number of banks and non-bank financial institutions in the PRC under the direction of the Chinese government (collectively referred to as the “Central Huijin Group”). The Group enters into transactions with Central Huijin Group under normal commercial terms. Such transactions mainly include deposits at banks, securities and futures dealing and broking, underwriting of equity and debt securities, and purchase and sale of equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group.

The Group's material transactions with the Central Huijin Group

	Year ended 31 December	
	2019	2018
Commission and fee income	50,755	140,174
Interest income from banks and other financial institutions within the Central Huijin Group	124,082	798,429
Investment gains of equity and debt securities issued by banks and other financial institutions within the Central Huijin Group	115,713	30,556
Interest expenses to brokerage clients within the Central Huijin Group	157,609	41,951
Other operating expenses	746	42

The Group's material balances with the Central Huijin Group

	As at 31 December	
	2019	2018
Equity and debt securities issued by banks and non-bank financial institutions within the Central Huijin Group classified as		
– financial assets measured at FVTOCI	150,608	1,696,812
– financial assets measured at FVTPL	2,782,844	3,181,010
Bank balances deposited with banks within the Central Huijin Group	44,177,987	28,285,338
Derivative financial liabilities	652	–
Financing payables	–	–
Due to banks and other financial institutions	2,249,354	1,132,050
Accounts payable to brokerage clients within the Central Huijin Group	178,112	1,617
Other payables and accruals	997	725
Financial assets held under repurchase agreements	2,188,960	4,172,506

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54. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions and balances with governmental related entities operated in the PRC (continued)

(3) Transactions with other government-related entities in the PRC

Other than disclosed above, a significant portion of the Group's transactions are entered into with government-related entities including securities and futures dealing and broking, underwriting of debt securities, purchase and sales of government bonds, and equity and debt securities issued by other government-related entities. These transactions are entered into under normal commercial terms and conditions. At the end of the reporting period, the Group holds such investments in equity and debt securities and has balances with these government-related entities including accounts payable to brokerage clients.

The directors of the Company consider that transactions with government-related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the counterparties are government related entities.

(b) Other related parties in respect of key management personnel

(1) Other related parties in respect of key management personnel which have transactions with the Group are as follows:

Name	Relationship
E-Capital Transfer Co., Ltd. ("E-Capital Transfer") 證通股份有限公司	Note

Note: Mr. Wu Chengming serves as the Company's board secretary from August 2012 and also as the director of E-Capital Transfer from June 2018.

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54. RELATED PARTY TRANSACTIONS (continued)

(b) Other related parties in respect of key management personnel (continued)

(1) Other related parties in respect of key management personnel which have transactions with the Group are as follows (continued):

The Group's material transactions with other related parties in respect of key management personnel

Other income, gains and losses

	Year ended 31 December	
	2019	2018
Galaxy Investment	–	133

Expenses paid or payable to

	Year ended 31 December	
	2019	2018
Galaxy Investment	–	21,424
E-Capital Transfer	218	2,899

Interest expenses

	Year ended 31 December	
	2019	2018
Galaxy Investment	–	49

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54. RELATED PARTY TRANSACTIONS (continued)

(b) Other related parties in respect of key management personnel (continued)

(2) Key management personnel compensations

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and other members of senior management.

The key management compensation for the years ended 31 December 2019 and 2018 comprises:

	Year ended 31 December	
	2019	2018
Salaries, allowances, bonuses, social welfare and annuity scheme contribution	39,770	39,304

55. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December	
	2019	2018
Financial assets		
Financial assets at amortized cost	192,432,159	159,986,775
– Debt instruments measured at amortized cost	5,031,296	5,061,778
– Financial assets held under resale agreements	30,438,084	39,967,074
– Deposits with exchanges and a non-bank financial institution	10,735,256	5,275,827
– Bank balances	70,329,276	51,413,631
– Advances to customers	58,721,319	44,631,943
– Accounts receivable	5,116,838	643,112
– Other financial assets	783,615	306,867
– Clearing settlement funds	11,276,475	12,686,543
Debt instruments measured at fair value through other comprehensive income	23,017,490	17,299,230
Equity instruments measured at fair value through other comprehensive income	19,349,248	9,777,435
Financial assets measured at fair value through profit or loss (FVTPL)	74,039,119	60,338,281
– Mandatorily measured at FVTPL	74,039,119	60,338,281
Derivative financial assets	208,503	76,291

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55. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments (continued)

	As at 31 December	
	2019	2018
Financial liabilities		
Financial liabilities at amortized cost	235,620,430	180,282,383
– Bonds payable	57,665,091	69,729,006
– Financing payables	24,017,785	16,532,869
– Other financial liabilities	4,620,313	4,252,630
– Accounts payable to brokerage clients	80,508,860	56,695,274
– Due to banks and other financial institutions	13,952,727	5,012,664
– Financial assets sold under repurchase agreements	54,855,654	28,059,940
Financial liabilities held for trading	6,798	13,312
Financial liabilities measured at fair value through profit or loss	1,711,284	1,445,386
Derivative financial liabilities	469,792	213,413

56. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group offsets the following financial assets and financial liabilities since the Group currently has a legally enforceable right to set off the balances, and intends either to settle on a net basis, or to realize the balances simultaneously.

(a) Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements

Type of financial assets	As at 31 December 2019					
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial* instruments	Cash collateral received	
Accounts receivable from clearing house and brokers ⁽¹⁾	2,916,848	(595,325)	2,321,523	(2,321,523)	–	–
Total	2,916,848	(595,325)	2,321,523	(2,321,523)	–	–

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56. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(a) Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements (continued)

As at 31 December 2018						
		Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognized financial assets			Financial*	Cash collateral received	
Type of financial assets		financial position	financial position	instruments		Net amount
Advances to customers ⁽¹⁾	1,813,204	(107,012)	1,706,192	(1,595,226)	(82,913)	28,053
Accounts receivable from clearing house ⁽²⁾	313,372	(265,806)	47,566	–	(26,380)	21,186
Total	2,126,576	(372,818)	1,753,758	(1,595,226)	(109,293)	49,239

* These represent the market values of shares pledged by customers which are capped at the outstanding balances of the respective customers.

(b) Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

As at 31 December 2019						
		Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognized financial liabilities			Financial instruments	Cash collateral pledged	Net amount
Type of financial liabilities	financial liabilities	financial position	financial position			
Accounts payable to – clearing house and brokers ⁽¹⁾	2,923,275	(595,325)	2,327,950	(2,327,950)	–	–
Total	2,923,275	(595,325)	2,327,950	(2,327,950)	–	–

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56. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(b) Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements (continued)

As at 31 December 2018						
Type of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
Accounts payable to						
– margin clients ⁽¹⁾	1,096,651	(107,012)	989,639	(82,913)	–	906,726
– clearing house ⁽²⁾	292,186	(265,806)	26,380	(26,380)	–	–
Total	1,388,837	(372,818)	1,016,019	(109,293)	–	906,726

Notes:

- (1) Under the agreements signed between the Group and its clients, certain amounts receivable and payable with the same clients on the same settlement date are settled on a net basis.
- (2) Under the continuous net settlement, certain receivables and payables with Hong Kong Securities Clearing Company Limited and other brokers on the same settlement dates are settled on net basis.

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57. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bonds payable	Financing instrument payables	Due to banks and other financial institutions	Dividends payable	Third party interests in consolidated structured entities	Total
At 31 December 2018	69,729,006	16,532,869	3,010,779	-	2,393,868	91,666,522
Interests payable as at 31 December 2018	1,760,121	373,237	-	-	-	2,133,358
Financing cash flows	1,269,095	(9,956,414)	553,530	(912,353)	(1,728,945)	(10,775,087)
Acquisition of subsidiaries	-	-	2,209,868	-	-	2,209,868
Non-cash changes:						
Interest expenses	1,749,913	225,048	1,243	-	-	1,976,204
Dividends declared	-	-	-	912,353	-	912,353
At 31 December 2019	74,508,135	7,174,740	5,775,420	-	664,923	88,123,218

	Bonds payable	Financing instrument payables	Due to banks and other financial institutions	Interests payable	Dividends payable	Third party interests in consolidated structured entities	Total
At 31 December 2017	61,754,273	29,454,520	2,550,331	1,643,001	27,171	3,373,453	98,802,749
Interests payable as at 31 December 2017	237,231	1,404,070	1,700	(1,643,001)	-	-	-
Financing cash flows	4,119,991	(15,191,549)	382,551	-	(1,243,642)	(1,144,994)	(13,077,643)
Non-cash changes:							
Interest expenses	3,617,511	865,828	76,197	-	-	165,409	4,724,945
Dividends declared	-	-	-	-	1,216,471	-	1,216,471
At 31 December 2018	69,729,006	16,532,869	3,010,779	-	-	2,393,868	91,666,522

The ending balances as at 31 December 2019 and 2018 shown above excluded certain amounts from due to banks and other financial institutions and interest accrued on them as they were related to operating activities of the Group.

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58. FINANCIAL RISK MANAGEMENT

Overview

The Group's risk management objectives are to ensure its development within a sustainable and healthy direction, its business operated orderly within an acceptable risk framework and its overall risks within a measurable, controllable and acceptable manner, aiming to achieve the Group's overall development strategy. The Group's risk management strategy is to identify and analyze the various risks faced by the Group, establish appropriate risk tolerance, and reliably measure and monitor the risks on a timely and effective manner to ensure the risks are controlled within the tolerance level.

In daily operation, the Group is mainly exposed to credit risk, market risk, operational risk and liquidity risk. The Group has established risk management policies and procedures to identify and analyze these risks, set appropriate risk indicators, risk limits, risk policies and internal control processes, and monitor and manage the risks continuously through its information system.

Risk management principles include the consideration of the levels of comprehensiveness, prudence, counter checking and balancing and independence.

Risk management organizational structure

The risk management of the Company at the upper level involving the Board of Directors, the Board of Supervisors and the management as the major bodies of the comprehensive risk management system and according to the "three-layer defence" lays down the foundation of risk management, incorporates risk management of subsidiaries in a single system and implements a vertical management of risks, among which:

The Board of Directors is the highest decision-making body of the risk management system, taking the ultimate responsibility for the Company's risk management duties through its sub-committees, Compliance and Risk Management Committee and Audit Committee. The Board of Supervisors monitors whether the Board of Directors and the management have fulfilled their responsibilities in respect of risk management on a timely and effective manner according to laws and regulations. The management is responsible for the implementation of risk management strategies, objectives and policies. The chief risk officer is in charge of overall risk management.

Business departments, functional departments and branches are charged with the primary responsibility for risk management. They shall execute the Company's risk management strategies and policies, understand and give due consideration to various risks when making decisions, and timely and effectively identify, assess, monitor and report relevant risks. The Company deploys dedicated/part-time risk management and compliance personnel in business departments and branches to be responsible for the management of specific risks and compliance management. Risk Management Department, Legal and Compliance Department, Financial Management Department, Capital Management Departments, Audit Department and Disciplinary Inspection Office are responsible for monitoring and managing various risks.

Each subsidiary establishes its own risk management framework, policies, IT system and risk control indicator system according to the risk appetite and framework of the Company and the Company's requirement on comprehensive risk management for its subsidiaries. It has to ensure consistency and effectiveness of overall risk management, taking into account of factors such as its own capital level, risk tolerance and complexity of business.

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58. FINANCIAL RISK MANAGEMENT (continued)

58.1 Credit risk

Credit risk is the risk of loss due to failures or inability to fulfil obligations by counterparties, or the downgrade of credit rating of them. The Group's financial assets exposed to credit risk mainly include advances to customers, accounts receivable, other financial assets, financial assets measured at amortized cost, financial assets measured at FVTOCI, financial assets held under resale agreements, financial assets measured at FVTPL, deposits with exchanges and a non-bank financial institution, clearing settlement funds and bank balances. Taking no account of collateral or other credit enhancements, the maximum credit exposure of financial assets to the extent exposed to credit risk approximates to their carrying amount at the reporting date.

Bank balances of the Group are mainly deposited in state-owned commercial banks or joint-stock commercial banks with good credit rating, and clearing settlement funds are deposited with the China Securities Depository and Clearing Corporation Limited (the "CSDCC").

For proprietary trading business, when the transactions are conducted through stock exchanges and the CSDCC, the counterparty default risk is considered to be low. For transactions conducted through the interbank market, counterparties are evaluated and only parties with good credit rating are authorized to trade with.

In order to manage the risk of its investment portfolio, except for investments in short-term bonds with rating of A-1, which represents the highest rating of the short-term bonds, the Group invests primarily in bonds with rating of AA or above. Therefore, the Group considers the credit exposure of proprietary trading business is not significant.

Margin trading assets consist of advances to customers and securities lent to customers. The main credit risk of these financial assets is customers' failure to repay the principal, interest or securities lent to them. The Group monitors margin trading clients' accounts on an individual customer basis and call for additional margin deposits, cash collateral or securities, whenever necessary. The advances to margin clients are monitored through their collateral ratios, which ensure the value of the pledged assets is sufficient to cover the advances. As at 31 December 2019 and 2018, the collateral ratios of most of the Group's margin clients were above 130%.

The credit risk of the Group also arises from their securities and futures brokerage business. In the case of customers failing to deposit adequate funds, the Group may have to complete trade settlements by using their own funds. To mitigate these credit risks, the Group requires cash deposit of full amounts for all transactions before they settle on behalf of customers.

As at 31 December 2019, other than those financial assets whose carrying amounts represent maximum exposure to credit risks, the Group is also exposed to credit risks arising from security lending and borrowing activities as clients may default on returning securities borrowed. Securities lent to clients may include securities collateral received from other clients under similar lending and borrowing arrangements. Therefore, these securities may not be recognized in the consolidated statement of financial position of the Group. As at 31 December 2019, the total amount of the securities (both the Group's own securities and securities borrowed by the Group) lent to clients was RMB355 million (31 December 2018: RMB385 million).

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58. FINANCIAL RISK MANAGEMENT (continued)

58.1 Credit risk (continued)

The concentration of credit risk is limited due to the counterparty and customer base being large and diversified.

Impairment under the ECL model

Since 1 January 2018, the Group has recognized a loss allowance for ECLs on financial assets which are subject to impairment under IFRS 9 using the ECL models, including debt instruments measured at FVTOCI or amortized cost, advances to customers, accounts receivable, other receivables, financial assets held under resale agreements, deposits with exchanges and a non-bank financial institution, clearing settlement funds and bank balances. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition.

The key inputs used for measuring ECLs based on the “probability of default” approach are the probability of default (PD), loss given default (LGD) and exposure at default (EAD); or, based on the loss rate approach, the key input is the loss rate. These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

Significant increase in credit risk

Except for accounts receivable without significant financing component which are always measured on the lifetime ECL basis, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life;
- an actual or expected significant change in the financial instrument’s external credit rating;
- an actual or expected internal credit rating downgrade for the borrower;

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58. FINANCIAL RISK MANAGEMENT (continued)

58.1 Credit risk (continued)

Impairment under the ECL model (continued)

Significant increase in credit risk (continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations;
- an actual or expected significant change in the operating results of the borrower;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- an actual or expected significant change in the quality of credit enhancement; and
- significant changes in the expected performance and behaviour of the borrower.

Internal credit risk ratings

The Group has developed internal credit rating models and functional internal credit rating systems based on the characteristics of different industries and target customer bases, to perform rating for borrowers or bond issuers. The Group gradually apply the internal credit rating results to business authorization, limit measurement, quota approval, risk monitoring, asset quality management and etc., which have become important tools for decision-making and risk management in credit business.

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase in credit risk as well as in its measurement of ECLs. The Group generates a base case scenario of future forecast of relevant economic variables, along with a series of representative ranges of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

Measurement of ECLs

The measurement of ECLs is a function of the PD, LGD and EAD based on the probability of default approach. The assessment of the PD and LGD is based on historical data adjusted by forward-looking information.

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58. FINANCIAL RISK MANAGEMENT (continued)

58.1 Credit risk (continued)

Impairment under the ECL model (continued)

Measurement of ECLs (continued)

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For undrawn loan commitments, the ECLs is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

The Group measures ECLs considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is a common business practice.

The measurement of ECLs is based on the probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items). In relation to the assessment of whether there has been a significant increase in credit risk it can be necessary to perform the assessment on a collective basis as noted below.

Groupings based on shared risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as instrument type, credit risk grade, collateral type, remaining term to maturity and the value of collateral relative to the financial asset if it has an impact on the probability of a default occurring (loan-to-value ratios). The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

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58. FINANCIAL RISK MANAGEMENT (continued)

58.1 Credit risk (continued)

Impairment under the ECL model (continued)

Measurement of ECLs (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

As at 31 December 2019	Notes	12-month or lifetime ECL	Gross carrying amount	ECL
Financial assets held under resale agreements	26	12-month ECL	28,810,352	26,491
		Lifetime ECL (not credit-impaired)	–	–
		Credit-impaired	1,992,563	338,340
			30,802,915	364,831
Debt instruments measured at fair value through other comprehensive income	27	12-month ECL	22,757,988	44,828
		Lifetime ECL (not credit-impaired)	217,444	1,993
		Credit-impaired	42,058	51,518
			23,017,490	98,339
Debt instruments measured at amortized cost	29	12-month ECL	5,034,588	12,659
		Lifetime ECL (not credit-impaired)	–	–
		Credit-impaired	14,987	5,620
			5,049,575	18,279
Advances to customers	33	12-month ECL	58,743,447	76,947
		Lifetime ECL (not credit-impaired)	16,667	552
		Credit-impaired	92,447	53,743
			58,852,561	131,242
Other financial assets measured at amortized cost*		12-month ECL	97,551,360	33,252
		Lifetime ECL (not credit-impaired)	636,743	21,109
		Credit-impaired	487,167	379,448
			98,675,270	433,809
Total			216,397,811	1,046,500

* Other financial assets measured at amortized cost include accounts receivable, other receivables, deposits with exchanges and a non-bank financial institution, clearing settlement funds and bank balances.

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(Amounts in thousands of Renminbi, unless otherwise stated)

58. FINANCIAL RISK MANAGEMENT (continued)

58.1 Credit risk (continued)

Impairment under the ECL model (continued)

Measurement of ECLs (continued)

The following tables show the reconciliation of loss allowances that have been recognized:

(1) Loss allowances for financial assets held under resale agreements

	12-month ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired)	Total
As at 1 January 2019	75,674	6,391	32,697	114,762
Changes due to financial instruments recognized as at 1 January:	–			–
– Transfers between stages				
– Increase	4,735	–	16,125	20,860
– Decrease	(16,125)	(4,735)	–	(20,860)
– Impairment losses recognized	2,286	–	293,624	295,910
– Impairment losses reversed	(48,948)	(1,656)	(46)	(50,650)
New financial assets originated or purchased	8,869	–	–	8,869
Exchange difference and others			(4,060)	(4,060)
As at 31 December 2019	26,491	–	338,340	364,831

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(Amounts in thousands of Renminbi, unless otherwise stated)

58. FINANCIAL RISK MANAGEMENT (continued)

58.1 Credit risk (continued)

Impairment under the ECL model (continued)

Measurement of ECLs (continued)

- (2) Loss allowances for debt instruments measured at fair value through other comprehensive income

	12-month ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired)	Total
As at 1 January 2019	24,582	3,940	–	28,522
Changes due to financial instruments recognized as at 1 January:				
– Transfers between stages				
– Increase	–	–	–	–
– Decrease	–	–	–	–
– Impairment losses recognized	10,005	–	51,518	61,523
– Impairment losses reversed	(9,810)	(1,947)	–	(11,757)
New financial assets originated or purchased	20,051	–	–	20,051
As at 31 December 2019	44,828	1,993	51,518	98,339

- (3) Loss allowances for debt instruments measured at amortized cost

	12-month ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired)	Total
As at 1 January 2019	3,359	–	5,587	8,946
Changes due to financial instruments recognized as at 1 January:				
– Transfers between stages				
– Increase	–	–	672	672
– Decrease	(672)	–	–	(672)
– Impairment losses recognized	109	–	4,948	5,057
– Impairment losses reversed	(2,631)	–	(5,587)	(8,218)
New financial assets originated or purchased	12,494	–	–	12,494
As at 31 December 2019	12,659	–	5,620	18,279

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(Amounts in thousands of Renminbi, unless otherwise stated)

58. FINANCIAL RISK MANAGEMENT (continued)

58.1 Credit risk (continued)

Impairment under the ECL model (continued)

Measurement of ECLs (continued)

(4) Loss allowances for advances to customers

	12-month ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired)	Total
As at 1 January 2019	69,495	3,829	28,371	101,695
Changes due to financial instruments recognized as at 1 January:				
Impact of acquisition of subsidiaries	–	–	7,335	7,335
– Transfers between stages				
– Increase	566	–	19	585
– Decrease	(19)	(566)	–	(585)
– Impairment losses recognized	17,742	–	19,862	37,604
– Impairment losses reversed	(50,433)	(2,711)	(28,000)	(81,144)
New financial assets originated or purchased	39,596	–	–	39,596
Exchange difference and others	–	–	26,156	26,156
As at 31 December 2019	76,947	552	53,743	131,242

Due to the fluctuation of the stock market, the collateral valuations fell short of the related margin loan amount. The overall increase of the loss allowance for advances to customers was RMB77 million for the year ended 31 December 2019.

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(Amounts in thousands of Renminbi, unless otherwise stated)

58. FINANCIAL RISK MANAGEMENT (continued)

58.1 Credit risk (continued)

Impairment under the ECL model (continued)

Measurement of ECLs (continued)

- (5) Loss allowances for other financial assets measured at amortized cost

	12-month ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired)	Total
As at 1 January 2019	7,449	13,832	370,447	391,728
Changes due to financial instruments recognized as at 1 January:				
Impact of acquisition of subsidiaries	952	–	33,588	34,540
– Transfers between stages				
– Increase	–	–	2,893	2,893
– Decrease	(2,893)	–	–	(2,893)
– Impairment losses recognized	24,731	8,952	63,291	96,974
– Impairment losses reversed	(561)	(2,610)	(18,514)	(21,685)
Amounts written off	–	–	(54,934)	(54,934)
New financial assets originated or purchased	2,776	935	–	3,711
Exchange difference and others	798	–	(17,323)	(16,525)
As at 31 December 2019	33,252	21,109	379,448	433,809

The most significant movements of loss allowance for other financial assets measured at amortized cost during the year arose from impairment losses recognized as a result of deterioration of credit quality of these financial assets.

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58. FINANCIAL RISK MANAGEMENT (continued)

58.1 Credit risk (continued)

Impairment under the ECL model (continued)

Measurement of ECLs (continued)

The tables below summarize the Group's investments in bonds by their external credit rating.

External credit rating	As at 31 December	
	2019	2018
Domestic bonds		
China's Sovereign Credit	20,997,398	5,087,077
AAA	31,476,697	35,115,787
AA+	6,013,804	7,929,666
AA	5,646,910	7,601,523
AA-	8,296	71,520
Under AA-	114,210	9,618
A-1	719,271	2,406,127
Not rated	10,936,894	219,293
Subtotal	75,913,480	58,440,611
Offshore bonds		
A	21,690	5,510
B	488,200	173,107
C	2,487	–
Not rated	322,756	3,449
Subtotal	835,133	182,066
Total	76,748,613	58,622,677

Note: China's Sovereign Credit represents the credit rating of Chinese government bonds. "A-1" represents the highest rating of the short-term bonds. The credit ratings of offshore bonds use the lowest ratings of the ones given by Moody's, Standard & Poor's and Fitch, if available; or otherwise shown as "not rated".

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(Amounts in thousands of Renminbi, unless otherwise stated)

58. FINANCIAL RISK MANAGEMENT (continued)

58.2 Market risk

Market risk is the risk of loss arising from adverse change in fair value or movement in cash flows in respect of financial instruments, due to interest rate risk, currency risk or price risk.

Within the scope of risk partiality, the Group formulates market risk authorization for proprietary business lines, including transaction limit, risk value, sensitivity, stop loss limit, stress test, concentration and other risk indicators. According to the role and limitations of different indicators, the Group establishes complementary indicator systems of different types and levels, and manages them according to different dimensions. The Group continuously monitors the market risk status and the implementation of relevant risk authorization, and takes timely control and mitigation measures to limit, transfer and reduce market risk.

The Risk Management Department, which is independent of the business department, is the centralized department of market risk management. It identifies, evaluates, monitors and reports the market risks faced by its own funds participating in business and products, and independently evaluates and verifies the valuation methods and risk measurement models of financial instruments used in the process of business development. The Risk Management Department monitors the implementation of risk authorization of the business department, timely reveals the risks, reports the market risk status to the operation management or its authorized organization, the board of directors and its Risk Management Committee on a regular basis, and makes special risk reports on special or major risk issues from time to time. Each business department is the first person in charge of market risk management. According to the market risk monitoring results, they select the market risk hedging and risk mitigation strategies suitable for risk preference, mainly including risk dispersion and risk hedging, and actively transfers, controls and reduces market risk. Regularly or irregularly feed back the market risk management status of the Department to the risk management department.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The securities price risk of the Company was mainly derived from the positions held in businesses such as proprietary investment, and market making business. In order to control risks effectively, the Company mainly adopted the following measures. Firstly, by creating securities investment portfolios, the Company made use of financial derivatives to carry out effective risk hedging. Secondly, the risk exposures of the Company's positions were managed on an unified basis. Through the defensive lines of the internal risk division of the business department and the risk management department, the Company implemented independent risk monitoring, analysis and reporting to discover and handle risks in a timely manner. Thirdly, the Company implemented the risk permit management to control indicators such as the scale of risk exposure, concentration level and limit of loss, and made adjustments irregularly to respond to the ever-changing market conditions, business conditions or risk tolerance. Fourthly, the Company adopted quantitative means such as VaR and combined with other methods such as scenario analysis and stress test to assess the relative and absolute risks of the portfolios.

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(Amounts in thousands of Renminbi, unless otherwise stated)

58. FINANCIAL RISK MANAGEMENT (continued)

58.2 Market risk (continued)

Price risk (continued)

The Company, which takes a great market risk adopts Value at Risk ("VaR") as the risk evaluation tool for measuring the market risk of the entire securities investment portfolio which comprises various financial instruments, and utilise stress testing as an effective supplement to the VaR analysis. VaR analysis is a statistical technique that estimates the potential maximum losses that could occur on risk positions due to movements in interest rates, stock prices or currency rates over a specified time period and at a given level of confidence.

The analysis of the Company's VaR (confidence level of 95% and a holding period of one trading day) by types of risks is as follows:

The Company	2019/12/31	2019		
		Average	Lowest	Highest
VaR of equity price	39	46	23	116
VaR of interest rate	49	43	23	68
VaR of commodity price	–	–	–	–
VaR of foreign exchange	–	–	–	–
Total portfolio VaR	46	54	31	106

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group utilizes sensitivity analysis as the main tool of monitoring interest rate risk and measuring the impact to profit and equity for a reasonable and possible change of interest rates, assuming all other variables were held constant. Debt securities of the Group mainly comprise corporate bonds, and the Group mitigates the interest rate risk through monitoring the durations and convexities of its bond portfolios. Interest rate risk in connection with cash held on behalf of customers in bank balances and clearing settlement funds is offset by the associated accounts payable to brokerage clients because their terms match with each other.

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58. FINANCIAL RISK MANAGEMENT (continued)

58.2 Market risk (continued)

Interest rate risk (continued)

The tables below summarize the Group's interest-bearing financial assets and liabilities by their remaining terms to repricing or contractual maturity date, whichever is earlier. Other financial assets and liabilities not included below are not exposed to significant interest rate risk.

As at 31 December 2019

	Less than 1 year	More than 1 but less than 3 years	More than 3 but less than 5 years	More than 5 years	Total
Financial assets					
Advances to customers	58,522,084	199,235	–	–	58,721,319
Debt instruments measured at fair value through other comprehensive income	780,168	8,735,820	7,446,725	6,054,777	23,017,490
Debt instruments measured at amortized cost	659,289	489,709	3,055,124	827,174	5,031,296
Financial assets held under resale agreements	16,829,084	13,609,000	–	–	30,438,084
Financial assets measured at fair value through profit or loss	11,705,848	12,840,818	15,460,188	8,768,818	48,775,672
Clearing settlement funds	11,276,475	–	–	–	11,276,475
Bank balances	70,329,033	–	–	–	70,329,033
Subtotal	170,101,981	35,874,582	25,962,037	15,650,769	247,589,369
Financial liabilities					
Bonds payable	26,522,572	31,142,519	–	–	57,665,091
Due to banks and other financial institutions	13,952,727	–	–	–	13,952,727
Financing payables	22,584,027	1,433,758	–	–	24,017,785
Accounts payable to brokerage clients	80,508,860	–	–	–	80,508,860
Financial assets sold under repurchase agreements	54,855,654	–	–	–	54,855,654
Other financial liabilities	198,447	14,743	–	451,733	664,923
Subtotal	198,622,287	32,591,020	–	451,733	231,665,040
Net interest-bearing position	(28,520,306)	3,283,562	25,962,037	15,199,036	15,924,329

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(Amounts in thousands of Renminbi, unless otherwise stated)

58. FINANCIAL RISK MANAGEMENT (continued)

58.2 Market risk (continued)

Interest rate risk (continued)

As at 31 December 2018

	Less than 1 year	More than 1 but less than 3 years	More than 3 but less than 5 years	More than 5 years	Total
Financial assets					
Advances to customers	44,631,943	–	–	–	44,631,943
Debt instruments measured at fair value through other comprehensive income	7,721,329	3,267,328	2,924,322	3,386,251	17,299,230
Debt instruments measured at amortized cost	1,682,090	1,449,737	515,209	1,414,742	5,061,778
Financial assets held under resale agreements	21,292,223	18,674,851	–	–	39,967,074
Financial assets measured at fair value through profit or loss	12,602,087	9,279,403	6,937,749	7,701,488	36,520,727
Clearing settlement funds	12,686,543	–	–	–	12,686,543
Bank balances	51,413,542	–	–	–	51,413,542
Subtotal	152,029,757	32,671,319	10,377,280	12,502,481	207,580,837
Financial liabilities					
Bonds payable	26,672,988	43,056,018	–	–	69,729,006
Due to banks and other financial institutions	5,012,664	–	–	–	5,012,664
Financing instrument payables	13,289,357	3,243,512	–	–	16,532,869
Accounts payable to brokerage clients	56,695,274	–	–	–	56,695,274
Financial assets sold under repurchase agreements	28,059,940	–	–	–	28,059,940
Other financial liabilities	902,070	1,157,046	–	334,752	2,393,868
Subtotal	130,632,293	47,456,576	–	334,752	178,423,621
Net interest-bearing position	21,397,464	(14,785,257)	10,377,280	12,167,729	29,157,216

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58. FINANCIAL RISK MANAGEMENT (continued)

58.2 Market risk (continued)

Sensitivity analysis

The Group uses sensitivity analysis as the main tool to monitor interest rate risk, and measures the impact on the Group's total profit and other comprehensive income without considering the impact of corporate income tax, when the interest rate changes reasonably and possibly under the assumption that other variables remain unchanged as follows:

Year ended 31 December		
	2019	2018
Profit before income tax for the year		
Increase by 100 basis points	(1,150,372)	(816,822)
Decrease by 100 basis points	1,150,372	816,822

Year ended 31 December		
	2019	2018
Other comprehensive income before income tax		
Increase by 100 basis points	(887,770)	(416,980)
Decrease by 100 basis points	887,770	416,980

The influence on the total profit refers to the influence of certain changes in the interest rate in the middle of the next year on the net interest-generating position interest income and the changes in the fair value after the revaluation of the trading financial assets and trading financial liabilities held at the end of the year.

The influence on other comprehensive income refers to the influence of the changes in the fair value of other debt investments held at the end of the period based on the revaluation when a certain interest rate changes.

The above sensitivity analysis assumes that the rates of return on assets and liabilities of each maturity move up or down in parallel, so it does not reflect the possible impact for only interest rate changes while the remaining interest rate remains unchanged. The forecast is also based on other simplified assumptions, including that all positions to be held to maturity.

This assumption does not represent the Group's policy on the use of funds and the management of interest rate risk, so the effects above may differ from the actual situation.

Moreover, the above analysis of the impact of interest rate changes is only an example to show the estimated changes in total profit and other comprehensive income under various projected income scenarios and the current interest rate risk profile of the Group. However, this effect does not take into account the risk management activities that management may take to manage interest rate risk.

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58. FINANCIAL RISK MANAGEMENT (continued)

58.2 Market risk (continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Group's currency risk primarily relates to the Group's operating activities whose settlements and payments are denominated in foreign currencies which are different from the respective group entity's functional currency.

The foreign currency assets and liabilities held by the Group are not material compared to the total assets and liabilities. In terms of the Group's revenue structure, the majority of the business transactions are denominated in RMB, and the proportion of foreign currency transactions is not significant to the Group. The Group considers that the currency risk of the Group's operations is immaterial due to the relatively low proportion of the Group's foreign currency denominated assets, liabilities, income and expense, as compared to the Group's total assets, liabilities, income and expenses. The currency risk of the Group's business is not significant.

58.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to shortages of capital or funds. During the normal course of business, the Group may face liquidity risk caused by macroeconomic policy change, market fluctuations, poor operations, credit downgrades, mismatch of assets and liabilities, low turnover rate of assets, underwriting on a firm commitment basis, significant proprietary trading position, or any significant illiquid long-term investments. If the Group fails to address any liquidity risk by adjusting the asset structure or comply with regulatory requirements on certain risk indicators, the Group could be penalized by the regulatory authority, which could cause adverse impacts to the Group's operations and reputations.

The measures of the group's liquidity risk management mainly include:

- (1) Establish a centralized fund management mechanism and an effective fund regulation mechanism.

To cope with and manage liquidity risk effectively, the Company has strengthened monitoring and management over fund transfers of significant amounts in order to achieve centralized fund allocation and coordinated liquidity risk management: incorporated debt financing and leverage ratios into risk authorization systems; established liquidity risk index system; monitored and reported liquidity of the Company on a daily basis; risk warning in a timely manner; conducted regular and ad-hoc stress tests to analyze and evaluate the level of liquidity risk; continuously optimized asset-liability structure to build a multi-level liquidity reserve system; and achieved diversification of financing channels through money market, capital market and bank borrowings.

- (2) Establish a stable liquidity risk management report system.

The Group prepares different financing plans for different periods, and reports implementations of financing plans to reflect the management of liquidity risk.

- (3) Increase working capital and liquidity by issuing shares and corporate bonds.

The Group increases its working capital and liquidity by issuing shares, corporate bonds, financing instruments payables, transfer of rights and interests in margin loans to support the development of margin financing and other businesses

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

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59. FAIR VALUE OF FINANCIAL INSTRUMENTS

59.1 Fair value of the Group's financial assets and financial liabilities that are not measured on a recurring basis

The carrying amounts of the Group's financial assets and financial liabilities not measured at fair value approximate to their fair values as at 31 December 2019 and 31 December 2018 except for the following financial assets and financial liabilities, for which their carrying amounts including interest receivable/interests payable and fair value are disclosed below:

As at 31 December 2019		
	Carrying amounts	Fair value
Non-current		
Bonds payable	31,142,519	31,475,323
Financing payables	1,433,758	1,436,328
Financial assets held under resale agreements	13,609,000	13,845,365
Debt instruments measured at amortized cost	4,314,343	4,362,401
As at 31 December 2018		
	Carrying amounts	Fair value
Non-current		
Bonds payable	43,056,018	43,773,162
Financing payables	3,243,512	3,316,836
Financial assets held under resale agreements	18,630,062	19,470,310
Debt instruments measured at amortized cost	4,435,395	4,475,946

Fair values of these financial instruments are categorized as Level 2 as explained below and determined by contractual cash flows discounted by observable yield curves.

59.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting periods. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Level 1 to 3) based on the degree to which the inputs to the fair value measurements are observable and the significance.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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59. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

59.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/financial liabilities	As at 30 December 2019	As at 31 December 2018	Fair value hierarchy	Valuation technique(s) and key input(s)
Debt instruments measured at FVTOCI:				
– Debt securities traded on stock exchanges	11,530,832	14,056,191	Level 1	Quoted bid prices in an active market.
– Debt securities traded on the interbank market	11,486,658	3,243,039	Level 2	China Bond Valuation – future cash flows are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Equity instruments measured at FVTOCI:				
– Perpetual bonds	8,343,371	1,723,334	Level 1	Quoted bid prices in an active market.
– Perpetual bonds	3,007,075	435,343	Level 2	China Bond Valuation – future cash flows are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
– Equity investments	7,998,802	7,618,758	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
Financial assets measured at FVTPL:				
– Debt securities traded on stock exchanges	15,687,989	13,277,086	Level 1	Quoted bid prices in an active market.
– Debt securities traded on the interbank market	33,087,684	23,243,641	Level 2	China Bond Valuation – future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
– Equity securities and funds traded on stock exchanges	6,091,452	6,078,602	Level 1	Quoted bid prices in an active market.
– Unlisted funds (open-ended mutual funds)	7,903,140	9,414,830	Level 2	Calculated based on the fair value of the underlying investments which are money market instruments, debt securities and publicly traded equity, investments listed in the PRC in each portfolio.
– Structured deposits and wealth management products	2,548,067	1,436,708	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
– Equity securities traded on National Equities Exchange and Quotations	113,186	129,777	Level 2	Recent transaction prices.
– Equity securities traded on National Equities Exchange and Quotations	47,853	14,714	Level 2	Based on the latest quoted bid prices and adjusted based on the index of National Equities Exchange and Quotations.
– Equity securities traded on National Equities Exchange and Quotations (Note 2)	675	60,740	Level 3	Discounted cash flow with future cash flows that are estimated based on contract terms, discounted at a rate that reflects the credit risk of underlying investments.
– Equity securities traded on National Equities Exchange and Quotations (Note 3)	8,223	11,341	Level 3	Multiples valuation, with an adjustment of discount for lack of marketability.
– Equity securities traded on stock exchanges with lock-up periods (Note 1)	2,338,023	2,822,168	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability. This discount is determined by the option pricing model. The key input is the implied volatility of the share prices of the securities.

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59. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

59.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	As at 30 December 2019	As at 31 December 2018	Fair value hierarchy	Valuation technique(s) and key input(s)
- Other investments	1,550,800	-	Level 1	Quoted bid prices in an active market.
- Other investments	884,956	-	Level 2	China Bond Valuation - future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
- Other investments	1,875,083	980,448	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
- Other investments (Note 1)	126,131	136,486	Level 3	Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.
- Other investments (Note 2)	704,252	1,990,621	Level 3	Discounted cash flow with future cash flows that are estimated based on contract terms, discounted at a rate that reflects the credit risk of underlying investments.
- Other investments (Note 3)	1,071,605	741,119	Level 3	Multiples valuation, with an adjustment of discount for lack of marketability.
Financial liabilities held-for-trading:				
- Equity securities traded on stock exchanges	-	(13,312)	Level 1	Fair value is determined with quoted bid prices in an active market.
- Securities lending	(6,798)	-	Level 2	China Bond Valuation - future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Financial liabilities designated as at fair value through profit or loss:				
- Structured products embedded with equity swaps	(1,256,635)	(716,393)	Level 1	Fair value is determined with quoted bid prices in an active market.
- Financing payables linked to stock index	(454,649)	(728,933)	Level 2	Based on the bid prices of stock index in an active market.
Derivative financial instruments:				
- Equity return swaps-assets	28,228	1,521	Level 2	Calculated based on the difference between the equity return of underlying equity securities according to quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparties.
- Equity return swaps-liabilities	(171,100)	-	Level 2	
- Exchange traded options-assets	70,105	23,928	Level 1	Calculated based on the difference between the equity return of underlying equity securities according to quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparties.
- Exchange traded options-liabilities	(81,684)	(10,511)	Level 1	
- Over-the-counter options-assets (Note 1)	100,257	40,724	Level 3	Quoted bid prices in an active market.
- Over-the-counter options-liabilities (Note 1)	(215,934)	(182,358)	Level 3	Calculated based on the Black-Scholes option pricing model.
- Stock index futures-liabilities (Note 4)	(12)	(339)	Level 1	Quoted bid prices in an active market.

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(Amounts in thousands of Renminbi, unless otherwise stated)

59. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

59.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	As at 30 December 2019	As at 31 December 2018	Fair value hierarchy	Valuation technique(s) and key input(s)
- Currency forward-assets	62	-	Level 2	Calculated based on future cash flows that are estimated based on observable forward exchange rates and contracted exchange rates.
- Currency forward-liabilities	(1,063)	(20,205)	Level 2	Calculated based on future cash flows that are estimated based on observable forward exchange rates and contracted exchange rates.
- Other forward contract-assets (Note 2)	9,852	10,118	Level 3	Discounted cash flows with future cash flows that are estimated based on contractual amounts, discounted at a rate that reflects the credit risk of the counterparty.

Notes:

- (1) The significant unobservable input to fair value measurement is the implied volatility of the underlying securities, which ranges from 17.45% to 72.25% (31 December 2018: 7.54% to 64.60%).
- (2) The unobservable input to fair value is the discount rate, determined by reference to the credit risk of underlying investments, ranging from 8.76% to 10.18% (31 December 2018: 6.00% to 17.74%). The higher is the discount rate, the lower is the fair value.
- (3) The unobservable input to fair value is the discount for lack of marketability, which ranges from 20.00% to 60.00% (31 December 2018: 13.94% to 45.12%). The higher is the discount for lack of marketability, the lower is the fair value.
- (4) As disclosed in Note 35, except for stock index futures and interest rate swap not under the daily mark-to-market and settlement arrangement are presented gross at the end of the reporting period, the other derivatives are under daily mark-to-market and settlement arrangements. Accordingly, the net position of the treasury bond futures, and commodity futures, stock index futures and interest rate swap was nil at the end of each reporting period. The above analysis only presents the fair value of derivative financial instruments.

There were no transfers between Level 1 and Level 2 fair value measurements during the years ended 31 December 2019 and 2018.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

59. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

59.3 Reconciliation of Level 3 fair value measurements

	Financial assets measured at fair value through profit or loss
Year ended 31 December 2019	5,762,476
As at 31 December 2018	
Total losses:	
– in profit or loss	(1,044,482)
Purchases	2,380,205
Transfers out (Note)	(2,849,289)
As at 31 December 2019	4,248,910
Total losses for assets held at 31 December 2019	
– unrealized losses recognized in profit or loss	1,712,765
	Financial assets measured at fair value through profit or loss
As at 1 January 2018	7,673,966
Total losses:	
– in profit or loss	(294,618)
Purchases	3,628,017
Transfers out (Note)	(5,244,890)
As at 31 December 2018	5,762,475
Total losses for assets held at 31 December 2018	
– unrealized losses recognized in profit or loss	(288,614)

Note: These are equity securities traded on stock exchanges with lock-up periods or asset management schemes which holds listed shares with lock-up periods. They were transferred from Level 3 to Level 1 or Level 2 when the lock-up period lapsed and became unrestricted.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

60. EVENTS AFTER THE END OF THE REPORTING PERIOD

Proposed profit distribution after the reporting period

Subsequent to the end of reporting period, a final dividend in respect of the year ended 31 December 2019 of RMB1.60 per 10 shares (inclusive of tax), in an aggregate amount of RMB1,621.96 million, based on a total of 10,137,258,757 shares in issue, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

Issuance of subordinated bonds

Subsequent to the end of reporting period, the Company obtained approval from the Shanghai Stock Exchange and has completed the non-publicly issuance of subordinated bonds of RMB5,000 million (Tranche 1) in January 2019. These bonds bear interest rates at 3.65%-3.75% per annum and the terms are from 2 years to 3 years. Proceeds from the issue will be used to increase working capital of the Company.

Issuance of corporate bonds

Subsequent to the end of reporting period, the Company obtained approval from the Shanghai Stock Exchange and has completed the non-publicly issuance of corporate bonds of RMB5,000 million (Tranche 1), RMB5,000 million (Tranche 2) in February 2019 and March 2019, respectively. These bonds bear interest rates at 2.88%-3.25% per annum and the terms are from 2 years to 3 years. Proceeds from the issue will be used to increase working capital of the Company.

Issuance of short-term financing bonds

Subsequent to the end of reporting period, the Company has completed the non-publicly issuance of short-term financing bonds of RMB2,000 million (Tranche 1), RMB3,000 million (Tranche 2) and RMB4,000 million (Tranche 3) in January 2019, February 2019 and March 2019, respectively. These bonds bear interest rates at 1.89%-2.75% per annum and the terms are 91 days. Proceeds from the issue will be used to increase working capital of the Company.

Impact assessment on epidemic situation of COVID-19

Since the outbreak of pandemic COVID-19 in January 2020, the Company effectively implements the requirements of the “Notice on Further Strengthening Financial Support for Prevention and Control of New Coronavirus Infectious Pneumonia” issued by the People’s Bank of China, the Ministry of Finance, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission and the State Administration of Foreign Exchange, and strengthens the financial support and control for epidemic prevention.

COVID-19 will affect the global economy outlook and the operations of enterprises. The degree of impact will depend on the situation, duration of the pandemic virus as well as implementation of related prevention and controls and various regulatory policies. The Company will continue to pay close attention to the development of the situation, evaluate and actively respond to its impact on the Company’s financial position and operating results.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

61. INVESTMENT IN SUBSIDIARIES

61.1 General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place of incorporation/ establishment	Equity interest and voting right held by the Group		Paid-up capital/ registered share capital (RMB unless otherwise stated)	Principal activities
		31/12/2019	31/12/2018		
Galaxy Capital Management Company Limited* (銀河創新資本管理有限公司) (Sole Proprietorship)	Beijing, PRC	100.00%	100.00%	1,000,000,000	Assets management, project investment and investment management
Galaxy International Holdings	Hong Kong, PRC	100.00%	100.00%	HKD3,261,208,250	Investment holding
Galaxy Futures Company Limited ("Galaxy Futures")* (銀河期貨有限公司) (Joint venture between Hong Kong, Macao and Taiwan)	Beijing, PRC	83.32%	83.32%	99,984,000,000	Commodity futures broking, financial futures broking futures investment consultancy and asset management
Galaxy Jinhui Securities Asset Management Company Limited* (銀河金匯證券資產管理有限公司) (Sole Proprietorship)	Shenzhen, PRC	100.00%	100.00%	1,000,000,000	Securities asset management
Galaxy Yuanhui Investment Company Limited* (銀河源匯投資有限公司) (Sole Proprietorship)	Shanghai, PRC	100.00%	100.00%	3,000,000,000	Alternative investment
China Galaxy International Futures (Hong Kong) Company Limited	Hong Kong, PRC	100.00%	100.00%	HKD72,000,000	Futures contracts dealing and broking
China Galaxy International Securities (Hong Kong) Company Limited	Hong Kong, PRC	100.00%	100.00%	HKD900,000,000	Securities broking, advising on securities and corporate finance
China Galaxy International Finance (Hong Kong) Company Limited	Hong Kong, PRC	100.00%	100.00%	HKD1,000,000	Money lending
China Galaxy International Assets Management (Hong Kong) Company Limited	Hong Kong, PRC	100.00%	100.00%	HKD20,000,000	Asset management

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(Amounts in thousands of Renminbi, unless otherwise stated)

61. INVESTMENT IN SUBSIDIARIES (continued)

61.1 General information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ establishment	Equity interest and voting right held by the Group		Paid-up capital/ registered share capital (RMB unless otherwise stated)	Principal activities
		31/12/2019	31/12/2018		
China Galaxy International Wealth Management (Hong Kong) Company Limited	Hong Kong, PRC	100.00%	100.00%	HKD500,000	Wealth management and insurance broking
Galaxy Yueke PE Fund Management Co., Ltd.* (銀河粵科私募基金管理有限公司)	Foshan, PRC	51.00%	51.00%	20,000,000	Investment fund management
CGS-CIMB Securities (Hong Kong) Limited (銀河-聯昌證券國際私人有限公司)	Singapore	50.00%	–	SGD878,000,000	Investing holding
Galaxy Derivatives Capital Management Company Limited* ("Galaxy Derivatives") (銀河德睿資本管理有限公司)	Shanghai, PRC	83.32%	83.32%	950,000,000	Assets and investment management

* These subsidiaries do not have official English names.

61.2 Change in ownership interest in a subsidiary

The Company injected capital of RMB1.5 billion in its subsidiary, Galaxy Yuanhui Investment Company Limited during Year 2019.

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

62. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) The Company's statement of financial position

AS AT 31 DECEMBER 2019

	As at 31 December	
Note	2019	2018
ASSETS		
Non-current assets		
Property and equipment	319,059	316,660
Right-of-use assets	1,123,744	N/A
Goodwill	223,278	223,278
Other intangible assets	385,995	385,191
Investments in subsidiaries	8,595,827	7,095,827
Financial assets measured at fair value through profit or loss	201,143	3,414,058
Financial assets held under resale agreements	13,609,000	18,630,062
Debt instruments measured at fair value through other comprehensive income	100,053	101,603
Equity instruments measured at fair value through other comprehensive income	19,349,092	9,777,435
Debt instruments measured at amortized cost	3,401,308	–
Deposits with exchanges and a non-bank financial institution	407,983	171,886
Other receivables and prepayments	1,088,840	–
Deferred tax assets	–	377,409
Total non-current assets	48,805,322	40,493,409
Current assets		
Advances to customers	54,028,306	41,363,498
Accounts receivable	180,206	152,372
Tax recoverable	354,332	151,757
Other receivables and prepayments	283,316	1,274,259
Amounts due from subsidiaries	1,021,651	1,634,798
Financial assets measured at fair value through profit or loss	68,771,896	56,374,976
Financial assets held under resale agreements	15,281,036	19,543,388
Debt instruments measured at fair value through other comprehensive income	22,917,437	17,197,627
Debt instruments measured at amortized cost	441,765	83,382
Investments classified as loan and receivables	–	–
Derivative financial assets	19,650	15,963
Deposits with exchanges and a non-bank financial institution	790,144	62,468
Clearing settlement funds	9,988,220	11,674,728
Bank balances	54,569,153	35,972,214
Total current assets	228,647,112	185,501,430
Total assets	277,452,434	225,994,839

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

62. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) The Company's statement of financial position

AS AT 31 DECEMBER 2019

		As at 31 December	
	Note	2019	2018
EQUITY AND LIABILITIES			
Equity			
Share capital	62(b)	10,137,259	10,137,259
Reserves	62(b)	41,311,102	39,406,648
Retained profits	62(b)	17,364,633	14,891,176
Total equity		68,812,994	64,435,083
Liabilities			
Non-current liabilities			
Bonds payable		31,142,519	43,056,018
Financing instrument payables		1,433,758	3,243,512
Financial liabilities measured at fair value through profit or loss		52,741	835,430
Lease liabilities		719,737	N/A
Deferred tax liabilities		228,462	–
Total non-current liabilities		33,577,217	47,134,960
Current liabilities			
Bonds payable		26,522,572	26,362,875
Due to banks and other financial institutions		8,177,307	2,001,886
Financing instrument payables		21,990,645	13,289,357
Accounts payable to brokerage clients		57,596,602	42,992,260
Accrued staff costs		2,771,261	2,128,017
Other payables and accruals		952,646	744,821
Lease liabilities		395,679	N/A
Financial liabilities measured at fair value through profit or loss		1,665,341	622,327
Derivative financial liabilities		146,616	128,161
Financial assets sold under repurchase agreements		54,843,554	26,155,092
Total current liabilities		175,062,223	114,424,796
Total liabilities		208,639,440	161,559,756
Total equity and liabilities		277,452,434	225,994,839
Net current assets		53,584,889	71,076,634
Total assets less current liabilities		102,390,211	111,570,043

SECTION XI CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi, unless otherwise stated)

62. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

(b) Movement in the Company's reserves

The movements in share capital, reserves and retained profits of the Company are set out below:

	Share capital	Reserves					Retained profits	Total equity
		Capital reserve	Investment revaluation reserve	General reserves	Other reserves	Subtotal		
At 1 January 2018	10,137,259	24,965,390	466,195	13,506,376	(33,286)	38,904,675	14,137,832	63,179,766
Profit for the year	–	–	–	–	–	–	2,814,076	2,814,076
Other comprehensive expense for the year	–	–	(310,633)	–	(31,655)	(342,288)	–	(342,288)
Total comprehensive income/ (expense) for the year	–	–	(310,633)	–	(31,655)	(342,288)	2,814,076	2,471,788
Appropriation to general reserves	–	–	–	844,223	–	844,223	(844,223)	–
Dividend declared	–	–	–	–	–	–	(1,216,471)	(1,216,471)
Transfer within equity	–	–	38	–	–	38	(38)	–
At 31 December 2018	10,137,259	24,965,390	155,600	14,350,599	(64,941)	39,406,648	14,891,176	64,435,083
Profit for the year	–	–	–	–	–	–	4,836,870	4,836,870
Other comprehensive expense for the year	–	–	457,676	–	(4,282)	453,394	–	453,394
Total comprehensive income/ (expense) for the year	–	–	457,676	–	(4,282)	453,394	4,836,870	5,290,264
Appropriation to general reserves	–	–	–	1,451,060	–	1,451,060	(1,451,060)	–
Dividend declared	–	–	–	–	–	–	(912,353)	(912,353)
At 31 December 2019	10,137,259	24,965,390	613,276	15,801,659	(69,223)	41,311,102	17,364,633	68,812,994

APPENDIX I. INFORMATION ON SECURITIES BRANCHES

No.	Name	Securities Branches Address	Person In Charge
1	Beijing Financial Street Securities Branch	Floor 3-4, No. 111 Taiping Bridge Avenue, Xicheng District, Beijing	Zhao Hongliang
2	Beijing Wangjing Securities Branch	Floor 2, 12 Futong East Avenue, Chaoyang District, Beijing	Zhao Zhiquan
3	Beijing Taoran Qiao Securities Branch	Room 901-906, Floor 9, No.1 Majiabao Road, Dongcheng District, Beijing	Ding Zefu
4	Beijing South Xueyuan Road Securities Branch	Floor 1-3, Building 2, 34 South Xueyuan Road, Haidian District, Beijing	Zhao Xinhua
5	Beijing Anzhengmen Securities Branch	No. 1102, 11th Floor, No. 1-3, No. 33, Anding Road, Chaoyang District, Beijing	Cao Yanxia
6	Beijing Zhushikou Street Securities Branch	Room 110, 1st Floor, No. 2, Zhushikou East Street, Dongcheng District, Beijing	Dong Yingzhen
7	Beijing Zhongguancun Avenue Securities Branch	03-3D Tower D, Building 1-4, 18th Yard (A), Zhongguancun South Avenue, Haidian District, Beijing	Song Yushan
8	Beijing Sun Palace Securities Branch	No.9, Floor 2, Building 11, Xiajiayuan, Chaoyang District, Beijing	Ai Haifeng
9	Beijing Fucheng Avenue Securities Branch	Floor 1, 3, 4, Yindu Building, No.67, Fucheng Avenue, Haidian District, Beijing	Ma Junming
10	Beijing Chaoyangmen North Avenue Securities Branch	Floor 6, Tower B, Office Building, 5th Square, No.5, Changyangmen North Avenue, Dongcheng District, Beijing	Wang Xiaoqing
11	Beijing Jianguo Road Securities Branch	North, Hall of Floor 1, Building 1, 126 Jianguo Road, Chaoyang District, Beijing	Li Weimin
12	Beijing Xueqing Road Securities Branch	Room 701-702, 716-718, Floor 7, Jinma Hotel, No.38(A) Xueqing Road, Haidian District, Beijing	Yan Xiaolong
13	Beijing Fangzhuang South Avenue Securities Branch	Room 103, 2 Fangzhuang South Avenue, Fengtai District, Beijing	Wu Di
14	Beijing Yizhuang Securities Branch	Room 103, 1/F, Building 1, 5th Yard, Ronghua Middle Road, Beijing Economic and Technological Development Zone, Beijing	Wang Jinzhu
15	Beijing Hujialou Securities Branch	2/F, Building 6, North Xiangjun Lane A, Hujialou, Chaoyang District, Beijing	Lu Zhen
16	Beijing Tongzhou Jiukeshu Securities Branch	1/F and 2/F, No.100 Jiukeshu Street, Tongzhou District, Beijing	Xu Qiang
17	Beijing Dawang Road Securities Branch	2303, 1/F and 2/F, Blocks 7-10, 88 Jianguo Road, Chaoyang District, Beijing, China	Liu Yang

APPENDIX I. INFORMATION ON SECURITIES BRANCHES

No.	Name	Securities Branches Address	Person In Charge
18	Beijing Laiguangying Securities Branch	Unit 201, 2/F, Block 2, Chengying Center, Yard No. 5, Laiguangying West Road, Chaoyang District, Beijing	Tian Zhilu
19	Beijing Chaoyang Road Securities Branch	Room 305, 3/F, No. 100 Balizhuang Xili, Chaoyang District, Beijing	Liu Yafei
20	Beijing West Third Ring South Road Securities Branch	Room 201-1, Block 1, Yard No. 14, West Third Ring South Road, Fengtai District, Beijing	Hou Zhishan
21	Beijing Houshayu Securities Branch	Room 107-108, 1/F, Block 9, Yard No. 20, Yuqing Road, Houshayu Town, Shunyi District, Beijing	Zhou Chunmei
22	Beijing Litong Road Securities Branch	Room 15-3, 1/F, Block 15, Yard No. 1, Jinfang Road, Chaoyang District, Beijing	Shao Jiangbo
23	Beijing Fengke Road Securities Branch	Room 106, 1-2/F, Block 4, Yard No. 2, Liuquan Road, Fengtai District, Beijing	Li Qiang
24	Beijing Caishikou Street Securities Branch	Room 125, 1-2/F, Block 2, Yard No. A2, Caishikou Street, Xicheng District, Beijing	Jiao Jian
25	Beijing Fuwai Street Securities Branch	Area GBC-6, 1/F, The Presidential Beijing, No. A9 Fuchengmenwai Street, Xicheng District, Beijing	Bai Yunlong
26	Beijing Asian Games Village Securities Branch	Room A203, 2/F, Block 16, Yard No. 8, Beichen East Road, Chaoyang District, Beijing	Xue Tingyu
27	Beijing Yuanda Road Securities Branch	Room 2B (Block A), Unit 1, 2/F, Building No. 2 (Jinyuan Times Commercial Center Building No. 2), Yard No. 2, Landianchang East Road, Haidian District, Beijing	Guo Mengmeng
28	Beijing Tongzhou Securities Branch	Room 2-6, 1/F, Block 2, Yard No. 12, Xinhua South Second Street, Tongzhou District, Beijing	Liu Bin
29	Beijing Liangmaqiao Road Securities Branch	Room 1113, 11/F, in 101, 2-16/F, Block 124, Yard No. 42, Liangmaqiao Road, Chaoyang District, Beijing	Li Huiwen
30	Beijing Shangdi Securities Branch	Room 04B-C, Block D, 4/F, No. A28 Xinxi Road, Haidian District, Beijing	Liu Yifei
31	Beijing Zhichun Road Securities Branch	Room 102-2, 1/F, Block 1, No. 68 Zhichun Road, Haidian District, Beijing	Wu Qiaoling
32	Beijing Xinghua Street Securities Branch	101, 1st Floor, Building 17, No. 19, Xinghua Street (2nd Section), Daxing District, Beijing	Li Yu
33	Beijing East Four-ring South Road Securities Branch	11-12, the bottom floor of No. 16 Building, No.7, Zhouzhuang Jiayuan, Shibalidian Township, Chaoyang District, Beijing	Song Bowen
34	Beijing Yiheyuan Road Securities Branch	1516/13, 1515, 13th Floor, No. 65 North Fourth Ring Road, Haidian District, Beijing	Jiao Yuku

APPENDIX I. INFORMATION ON SECURITIES BRANCHES

No.	Name	Securities Branches Address	Person In Charge
35	Beijing Culin Road Securities Branch	Room 1509, 15th Floor, Wanda Plaza Office Building, No.1 Building, No.1 West Yingying Road, Fengtai District, Beijing	Shi Liansheng
36	Beijing Guanganmen Securities Branch	405, 4th Floor, Building 7, No. 27, Nanbinhe Road, Xicheng District, Beijing	Zhang Yang
37	Beijing Yonghegong Securities Branch	B1-A1, Building A, Innovation Building, No. 11 Hepingli East Street, Dongcheng District, Beijing	Yang Donglin
38	Tianjin Changjiang Road Securities Branch	2/F, Qingxin Building, 55-65 Changjiang Road, Nankai District, Tianjin	Zeng Tao
39	Tianjin Kaihua Road Securities Branch	3 Kaihua Road, Huayuan Industrial Park, Binhai High-Tech Industry Development Zone, Tianjin	Liu Hui
40	Tianjin Shengli Road Securities Branch	1-2-101, Ruihai Building, Northwest of intersection of Shengli Road and Jianguo Road, Hebei District, Tianjin	Tang Hao
41	Tianjin Sheng'an Avenue Securities Branch	No. 84, Chengdu Avenue, Five Great Avenues, Heping District, Tianjin	Chen Liansheng
42	Shijiazhuang Hongqi Street Securities Branch	No.98, Hongqi Street, Qiaoxi District, Shijiazhuang City	Jiao Wenli
43	Langfang Yinhe North Street Securities Branch	No.106, Yinhe North Street, Langfang City	Li Fanghui
44	Shijiazhuang Shengli North Street Securities Branch	Futian Building, No.156 Shengli North Street, Zhangan District, Shijiazhuang City	Luo Feng
45	Xingtai Qinghe Securities Branch	No. 17, Changjiang East Street, Qinghe County	Hao Guojing
46	Xingtai Yejin North Street Securities Branch	Shop 208, 209 on 2/F and Shop 109 on 1/F, Building 1, Jinyuan Apartments, 229 Yejin North Road, Qiaoxi District, Xingtai City, Hebei Province	Yu Baohua
47	Cangzhou Yong'an South Street Securities Branch	No. 1202, 5th Part, Yihewenyuan Sales Department, Jiefang West Road, Yunhe District, Cangzhou City	Chen Hui
48	Qinhuangdao Securities Branch	No. 181, Jianshe Avenue, Harbour District, Qinhuangdao City	Liu Wei
49	Baoding Qiyi Middle Road Securities Branch	No. 1 Commercial district, 1st Floor, No. 1955, Middle Qiyi Road, Jingxiu District, Baoding City, Hebei Province	Yan Mingyan
50	Zhangjiakou Great Wall West Street Securities Branch	1/F, Commercial Floor, No. 6, Block 1-A, New East Asia Fortune Center, Great Wall West Street, High-tech Zone, Zhangjiakou City, Hebei Province	Yang Haisheng

APPENDIX I. INFORMATION ON SECURITIES BRANCHES

No.	Name	Securities Branches Address	Person In Charge
51	Taiyang Yingze West Avenue Securities Branch	No. 53 Yingze West Avenue, Wanbalin District, Taiyuan	Chen Honghua
52	Taiyuan Zhonghuan South Central Avenue Securities Branch	Room 903-906, 9/F, No. 7 Yari Road, Taiyuan College Park, Shanxi Transformation Comprehensive Reform Demonstration Zone	Zhang Jianzhong
53	Taiyuan Taoyuan Securities Branch	5/F, No.1 Xinjian South Road, Yingze District, Taiyuan City	Zhao Junhua
54	Linfen Jiefang East Road Securities Branch	No.2, Jiefang East Road, Linfen City	Ren Dongfeng
55	Houma Kuaibin Street Securities Branch	No.7, Kuaibin Street, Houma City (former Zhong Hang Building)	Wang Quanrui
56	Huozhou Kaiyuan Street Securities Branch	No.A3-6, Kaiyuanshengdian, Kaiyuan Street, Huozhou City	Guo Ming
57	Yicheng Jiefang Street Securities Branch	1-2/F, Block 6, Zone C2 (Yiheyuan Community), Jiefang West Street, Yicheng County, Shanxi Province	Yang Zhifeng
58	Hongdong Feihong East Street Securities Branch	1st and 2nd floors, Building 1, 2, 3, Block 7, Feihong East Street, Hongdong County, Shanxi Province	Cui Jinhui
59	Jinzhong Yingbin Street Securities Branch	No.135, Yingbin Street, Yuci district, Jinzhong City, Shanxi Province	Zhuan Huiqin
60	Lingshi Xiaohe South Road Securities Branch	B2-04, Fenghuang Xincheng Shops, Xiaohe South Road, Lingshi County, Jinzhong, Shanxi Province	Duan Jinggang
61	Qixian Xinjian North Road Securities Branch	No.179, Xinjian North Street, Qi County, Jinzhong City, Shanxi Province (The North side of Library)	Xue Hongbin
62	Taigu Kangyuan Road Securities Branch	No.15, Building 20, Huaxing community, Kangyuan Road, Taigu County, Jinzhong City, Shanxi Province	Song Wei
63	Jiexiu Zhenxing Street Securities Branch	The Adjacency of Yipinhuangniu, Zhenxing Street, Jiexiu City, Jinzhong City, Shanxi Province	Shi Jianhua
64	Jincheng Jingxi Road Securities Branch	Room 6, Commercial and Residential Building of Ruiqi Real Estate Development Co., Ltd., East of Jingxi Road, Jincheng City, Shanxi Province	Kong Linli
65	Xiyang Xiacheng Street Securities	Branch Shop 24, Zhong Cheng Ya Ju, Xiacheng Street, Xiyang County, Jinzhong City, Shanxi Province	Wang Tao
66	Xiaoyi Fuqian Street Securities Branch	Fuqian Street, Luliang Xiaoyi City, Shanxi Province (Shop 16, Xiang He Xin Yuan)	Di Shouquan
67	Yuncheng Yuxi Road Securities Branch	Yuxi West Road, Yanhu District, Yuncheng City (No. 109, 1/F, Unit 5, Block 15, Yu Xi Yuan)	Wang Qiang
68	Datong Liuquan South Street Securities Branch	No. 348, Liuquan Street, Ping Cheng District, Datong City	Pei Bin

APPENDIX I. INFORMATION ON SECURITIES BRANCHES

No.	Name	Securities Branches Address	Person In Charge
69	Yangquan Baojin Road Securities Branch	No. 14 Commercial Floor, Block 3, Shengshi New Town, Baojin Road, Yangquan City Economic and Technological Development Zone, Shanxi Province	Chen Dao
70	Changzhi Taixing East Street Securities Branch	G/F, No. 2, Yongsheng Court, Taixing East Street; 1-2/F, No. 5 Taixing East Street, Changzhi City	Cao Weili
71	Zuoquan Jiangjun Road Securities Branch	Shop 2#-28, Xincheng International, Zuoquan County, Jinzhong City, Shanxi Province	Zhou Yiqu
72	Hohhot Xinhua East Street Securities Branch	No.78, Xinhua East Street, Saihan District, Hohhot City, Inner Mongolia Autonomous Region	He Jing
73	Hohhot Daxue West Street Securities Branch	Fengye Building, No.110, Daxue West Street, Saihan District, Hohhot City, Inner Mongolia Autonomous Region	Hou Jie
74	Baotou Wulan Road Securities Branch	No.6, 19 (A) Wulan Road, Kundulun District, Baotou City, Inner Mongolia Autonomous Region	Zhao Libin
75	Ordos Dongsheng Jilaoqing South Road Securities Branch	Room-0-105, Block 15, Neighborhood No. 7, Daqiao Road, Dongsheng District, Ordos City, Inner Mongolia Autonomous Region	Li Xuebin
76	Hulunbuir Qiaotou Street Securities Branch	3/F, Hulun Holiday Hotel, No.6- 8 Qiaotou Street, Hailar District, Hulunbuir City	Wang Jian
77	Shenyang Beizhan Road Securities Branch	59 Beizhan Road, Shenhe District, Shenyang City, Liaoning Province	Hu Yingxin
78	Shenyang Dabeiguan Street Securities Branch	Floor 1-2, Unit 2, 40 Dabeiguan Street, Dadong District, Shenyang City	Luo Xiaodong
79	Shenyang Sanhao Street Securities Branch	No. 6, 7, 4A, Wenti Road, Heping District, Shenyang City	Liu Dayong
80	Shenyang Sanjing Street Securities Branch	1-3/F, No. 95, Sanjing Street, South of Shenhe District, Shenyang City	Wen Jiuyu
81	Shenyang Jianshe East Road Securities Branch	Door 3, No. 76, Jianshe East Road, Tiexi District, Shenyang City	Xu Shan
82	Shenyang Nan Shun Cheng Road Securities Branch	No. 56, Shuncheng Road, South of Shenhe District, Shenyang City	Chen Jinyan
83	Shenyang Changbai West Road Securities Branch	No. 36, Changbai West Road, Heping District, Shenyang City (36A, Changbai West Road)	Li Bin
84	Yingkou Liaohe Avenue Securities Branch	30-1 and 30-2, Liaohe Avenue, Zhanqian District, Yingkou City	Sun Ning
85	Fuxin Xinhua Road Securities Branch	Door 74-15, Xinhua Road, Haizhou District, Fuxin City	Liang Xiaogang

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No.	Name	Securities Branches Address	Person In Charge
86	Liaoyang Laodong Street Securities Branch	No. 58, Laodong Street sub-district, Baita District, Liaoyang City, Liaoning Province	Tong Shengyong
87	Panjin Shifu Street Securities Branch	2#, Kaisa Center, No. 1 Shifu Street, Xinglongtai District, Panjin City, Liaoning Province	Li Jingping
88	Dandong Caishenmiao Street Securities Branch	No. 41-1-11 Caishenmiao Street, Yuanbao District, Dandong City, Liaoning Province	Ding Qiang
89	Dalian Huanghe Road Securities Branch	Room B, C, D, Floor 5 of the Elevator, 620 Huanghe Road, Shahekou District, Dalian City, Liaoning Province	Guo Qing
90	Dalian Yide Street Securities Branch	Room 01, 08 & 07, 5/F, No. 20 Yide Street, Zhongshan District, Dalian City, Liaoning Province	Wang Yansong
91	Dalian Renmin Road Securities Branch	Floor 3, 71 Renmin Road, Zhongshan District, Dalian City, Liaoning Province	Zheng Yue
92	Dalian Xinkai Road Securities Branch	Floor 3, 99 Xinkai Road, Xigang District, Dalian City, Liaoning Province	Jia Kaizhou
93	Zhuanghe Xiangyang Road Securities Branch	No. 11, Floor 18#1, Changsheng Garden, No. 60 Section 2 of Xiangyang Road, Chengguan Street Finance Committee, Zhuanghe, Liaoning Province	Jin Li
94	Dalian Jinma Road Securities Branch	No. 2, Block 4, Zone F Commercial Building, Wucai City, Dalian Economic and Technological Development Zone, Liaoning Province	Yu Pengxiao
95	Changchun West Minzhu Street Securities Branch	No.1161, Chaoyang West Minzhu Street, Changchun City	Yan Xiaomin
96	Changchun Renmin Street Securities Branch	No. 8688, Renmin Street, Nanguan District, Changchun, Jilin Province	Li Yantao
97	Jilin Jiangwan Road Securities Branch	Outlet No. 3, 4-2, Block 5, Sunshine Century City, No. 28 Jiangwan Road, Changyi District, Jilin City, Jilin Province	Wang Huanyu
98	Harbin West Tenth Street Securities Branch	5/F of Annex and 4/F of Main Building, Dongxing Building, 19 West Tenth Street, Daoli District, Harbin City	Liu Peijian
99	Harbin Zhongshan Road Securities Branch	1/F & 3/F, No. 252, Zhongshan Road, Nangang District, Harbin City	Li Naichen
100	Daqing Jingsan Street Securities Branch	No. 5, Jingsan Street, Saertu District, Daqing City, Heilongjiang Province	Li Jingzhong
101	Jiamusi Xilin Road Securities Branch	No. 1178, Xilin Road, Jiaoqu, Jiamusi City	Shi Xiaodan
102	Qiqihar Longhua Road Securities Branch	1-2/F, No. 25-1, Block 8, North Heping Yard, Tiefeng District, Qiqihar City, Heilongjiang Province	Liu Fang

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No.	Name	Securities Branches Address	Person In Charge
103	Jixi Hongqi Road Securities Branch	4/F, No. 19 Hongqi Road, Xiangyang Office, Jiguan District, Jixi City, Heilongjiang Province	Wang Fang
104	Mudanjiang Dongyitiao Road Securities Branch	No. 77 Dongyitiao Road, Dong'an District, Mudanjiang City, Heilongjiang Province	Chen Long
105	Harbin Jingjiang West Road Securities Branch	No. 2, Building 1, Building 2, 2372 Jingjiang West Road, Daoli District, Harbin	Zhang Bin
106	Shanghai Changning District Zhenning Road Securities Branch	Room 202, 2/F, No. 525 Zhenning Road, Changning District, Shanghai	Li Gequan
107	Shanghai Pudong New District Yuanshen Road Securities Branch	15/F, No. 92 Yuanshen Road, China (Shanghai) Pilot Free Trade Zone	Hua Yafeng
108	Shanghai Shijie Road Securities Branch	No. 95-lin 1, World Road, Yangpu District, Shanghai	Liu Dong
109	Shanghai Anye Road Securities Branch	124 Anye Road, Shanghai	Wang Ruopeng
110	Shanghai Pudong New Area Bohua Road Securities Branch	2/F of 388-392, 2/F of 412, 2/F of 416, 2/F of 420, 2/F of 424, 2/F of 428 and 2/F of 432, Bohua Road, Pudong New Area, Shanghai	Ge Wanli
111	Shanghai Yangpu Jingyu East Road Securities Branch	Room 101, Room 201, No. 265 Jingyu East Road, Yangpu District, Shanghai	Wang Yisheng
112	Shanghai Hongjing Road Securities Branch	Room 202, 185 Hongjing Road, Shanghai	Chen Kai
113	Shanghai Yichuan Road Securities Branch	Room 101-102, 1/F and 2/F, No. 855-859 Yichuan Road, Jingan District, Shanghai	Kong Fei
114	Shanghai Shangnan Road Securities Branch	No. 1316, Shangnan Road, Pudong New District, Shanghai	Zhuang Yiye
115	Shanghai Gongkang Road Securities Branch	No. 328, Gongkang Road, Baoshan District, Shanghai	Jiao HongYan
116	Shanghai East Baoxing Road Securities Branch	Floor 12, 118 East Baoxing Road, Hongkou District, Shanghai	Xie Liangfeng
117	Shanghai Wulian Road Securities Branch	No. 11, Wulian Road, Pudong New District, Shanghai	Zhang Xuehong
118	Shanghai Xinchang Road Securities Branch	Floor 2, 6, North, No.518, Xinchang Road, Huangpu Town, Shanghai	Gu Kangkang
119	Shanghai Gushan Road Securities Branch	Room 403, 406, Building 1, No. 2399 Zhangyang Road, No. 538, Gushan Road, China (Shanghai) Pilot Free Trade Zone	Ma Lin

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No.	Name	Securities Branches Address	Person In Charge
120	Shanghai Zhaojiabang Road Securities Branch	Room 907, 908, 909, 910, 911, 912, 915, 916, 917, 918, 920, 9/F, No. 212 Zhaojiabang Road, Shanghai	Shen Jianming
121	Shanghai Linyi Road Securities Branch	Room 2004-2010, Room 2016-2025, 2nd Floor, Building 1, No. 188, Linyi Road, Hongkou District, Shanghai	Wu Jie
122	Shanghai Hengfeng Road Securities Branch	Room 201-1, Floor 2, 218 Hengfeng Road, Shanghai	Yu Lili
123	Shanghai East Daming Road Bund Securities Branch	Room A, Floor 4, 912 East Daming Road, Hongkou District, Shanghai	Chen Jianguang
124	Shanghai Xinyu Road Securities Branch	No. 205, Xinyu Road, Jiading District, Shanghai	Pan Yuhua
125	Shanghai Huangpu District Madang Road Securities Branch	Room A2205, No. 388 Madang Road, Huangpu District, Shanghai	Yang Xiaoyan
126	Shanghai Pudong South Road Securities Branch	Floor 1 & 15, No. 855 Pudong South Road, China (Shanghai) Free Trade Pilot Zone	Chen Aiping
127	Shanghai Zhongshan North Road Securities Branch	Room 401-406, 408-412, 2917 Zhongshan North Road, Putuo District, Shanghai	Li Junyan
128	Shanghai Caobao Road Securities Branch	Floor 9, No. 3459, Caobao Road, Minhang District, Shanghai	Li Xinliang
129	Shanghai Putuo District Changde Road Securities Branch	Unit 102, 1/F, 1339 Changde Road, Putuo District Shanghai	Yuan Jiapeng
130	Shanghai Qingpu District Mingzhu Road Securities Branch	Room 106, No. 838 Mingzhu Road, Qingpu District, Shanghai	Zhang Huanlai
131	Shanghai Minhang District Chenxing Road Securities Branch	Room 218, 2/F, Block 1, No. 2388 Chenxing Road, Minhang District, Shanghai	Jin Qibao
132	Shanghai Baoshan District Luxiang Road Securities Branch	Room 101, 1/F, No. 2 Alley 111, Luxiang Road, Baoshan District, Shanghai	Zhu Yuewei
133	Shanghai Putuo District Daduhe Road Securities Branch	Room 505, 5/F, No. 26 Alley 168, Daduhe Road, Putuo District, Shanghai	Shen Yu
134	Shanghai Pudong New District Jingao Road Securities Branch	Room 108, No. 945, Jingao Road, Pudong New District, Shanghai	Huang Lei
135	Shanghai Pilot Free Trade Zone Jilong Road Securities Branch	Shop 3, 1/F, No. 1, Jilong Road, China (Shanghai) Pilot Free Trade Zone	Yu Meng
136	Shanghai Yangpu District Songhu Road Securities Branch	Room 201, No. 433, Songhu Road, Yangpu District, Shanghai City	Li Yajun
137	Shanghai Sibao Road Securities Branch	Floor 1-2, No. 50, Sibao Road, Sijing Town, Songjiang District, Shanghai City	Xu Yongwei

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No.	Name	Securities Branches Address	Person In Charge
138	Shanghai Jingang Road Securities Branch	Room 1110-1111, 11/F, No. 299, Jingang Road, China (Shanghai) Pilot Free Trade Zone	Zheng Chifei
139	Shanghai Songjiang District Rongle East Road Securities Branch	1-2/F, No. 1919 Rongle East Road, Songjiang District, Shanghai	Chen Wu
140	Shanghai Pudong New Area Lingyan South Road Securities Branch	Room 1-2, 1/F, No. 1440 Lingyan South Road, Pudong New Area, Shanghai	Liu Ge
141	Shanghai Xiangchuan Road Securities Branch	1-2/F, No. 398 Xiangchuan Road, Pudong New Area, Shanghai	Xu Bengu
142	Shanghai Qingpu District Xinfuzhong Road Securities Branch	Room 101, No. 1786_1784, Xinfuzhong Road, Huaxin Town, Qingpu District, Shanghai	Li Jiasen
143	Shanghai Gaoke East Road Securities Branch	No. 112, Building No. 8, Block 1, Alley 777, Gaoke East Road, Pudong New Area, Shanghai	Lu Bei
144	Shanghai Songjiang District Xinnan Road Securities Branch	Zone B, 1/F, No. 1015 Xinnan Road, Xinqiao Town, Songjiang District, Shanghai	Liu Yi
145	Tunxi North Road Securities Branch, Xuhui District, Shanghai	Room 604, Building C, No. 595, Tunxi North Road, Xuhui District, Shanghai	Zhang Li
146	Huancheng South Road Securities Branch of, Fengxian District, Shanghai, Shanghai	No. 1140-1142, Huancheng South Road, Fengxian District, Shanghai	Zhou Qun
147	Nanjing Hongwu Road Securities Branch	Room 203-207, Floor 2, Fuxin International Building, No. 359 Hongwu Road, Qinhuai District, Nanjing City, Jiangsu Province	Zhang Jun
148	Nanjing Shanghai Road Securities Branch	No.145, Shanghai Road, Gulou District, Nanjing City, Jiangsu Province	Cao Anming
149	Nanjing Zhujiang Road Securities Branch	No.1 Building, No. 714 Zhujiang Road, Xuanwu District, Nanjing City	Hu Kaitao
150	Nanjing Jiangdong Middle Road Securities Branch	Room 201, No. 213, Jiangdong Middle Road, Jianye District, Nanjing City	Zhuang Haijun
151	Nanjing Nanrui Road Securities Branch	Building 19, Wuyueyiyuan, 79 Nanrui Road, Gulou District, Nanjing City, Jiangsu Province	Ju Min
152	Yangzhou Wenchang Middle Road Securities Branch	No. 561, Wenchang Middle Road, Yangzhou City, Jiangsu Province	Ji Chunlei
153	Suzhou Sanxiang Road Securities Branch	No. 718, Sanxiang Road, Suzhou City, Jiangsu Province	Qian Chun
154	Zhenjiang Zhengdong Road Securities Branch	4th Floor, Building 4, 39 Zhengdong Road, Zhenjiang City	Zhong Sheng

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No.	Name	Securities Branches Address	Person In Charge
155	Nanjing Jiangning Jinbo Road Securities Branch	Room 201, Building 3, 770 Jinbo Road, Dongshan Street, Jiangning District, Nanjing City	Yang Weixue
156	Nanjing Huashen Avenue Securities Branch	No. 11-14, Huashen Avenue, Yuhuatai District, Nanjing City, Jiangsu Province	Zhou Xujie
157	Nantong Gongnong Road Securities Branch	Room 101 and 201, Jintang Building, No. 198 Gongnong Road, Chongchuan District, Nantong City	Wang Wei
158	Changshu Zhujiang East Road Securities Branch	No. 93 Zhujiang East Road, Changshu City, Jiangsu Province	Wang Fuxing
159	Yancheng Yingbin South Road Securities Branch	Room 102, Block 7, Northern District, Qianjiang Fangzhou Community, No. 126 Yingbin South Road, Yancheng City	Wang Zhijian
160	Wuxi Liangxi Road Securities Branch	Zone A, 1/F, 708 Liangxi Road, Wuxi	Liu Zhongxi
161	Jiangyin Hongqiao North Road Securities Branch	Floor 1 of No.185 and Floor 2 of No. 181-185, Hongqiao North Road, Jiangyin City	Chen Zheng
162	Lianyungang Tongguan South Road Securities Branch	109, Jianyuanguanzhu Building, No. 102, Tongguan South Road, Haizhou District, Lianyungang City	Luo Fei
163	Rugao Jiankang Road Securities Branch	Business Room, No. 4, Block 809, Jiankang East Village, Rucheng Town, Rugao City, Jiangsu Province	Zhang Yuanchao
164	Zhangjiagang Shazhou West Road Securities Branch	No. 108, Middle Floor, 101#, No. 115, Shazhou West Road, Yangshe Town, Zhangjiagang City	Zhu Kechun
165	Changzhou North Street Securities Branch	No. 8-1, Yulong Garden, Zhonglou District, Changzhou City	Zhang Yu
166	Huai'an Hongze Dongshi Road Securities Branch	S3, S5, S6 & S7, Block 63A, 11-8 Zhongxing Mingdu, No. 11 Dongshi Road, Hongze District, Huai'an City, Jiangsu Province	Li Xun
167	Yixing Guibin South Road Securities Branch	1-2/F, No. 78 Guibin South Road, Xinjie Sub-district, Yixing City	Ji Xiaolong
168	Jiangyin Zhouzhuang Century South Avenue Securities Branch	No. 102 Century South Avenue, Zhouzhuang Town, Jiangyin City	Li Yuan
169	Taizhou Youth South Road Securities Branch	Room 103 & 104, No. 300 Youth South Road, Hailing District, Taizhou City	Xing Jun
170	Kunshan Xiaolin Road Securities Branch	No. 195-1 Xiaolin Road, Yushan Town, Kunshan City	Peng Xiaowu
171	Baoying Baitian Road Securities Branch	No. 100 Commercial Street, Baitian Road, Hongsheng New Town, Baoying County	Wang Wenxiang

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No.	Name	Securities Branches Address	Person In Charge
172	Guanyun Renmin Middle Road Securities Branch	Room 102 & 202, Block 7, Jinling Imperial Garden, Renmin Middle Road, Yishan Town, Guanyun County, Lianyungang City	Xu Zhangyi
173	Suzhou Yueliangwan Road Securities Branch	Room 101-03, Zhongxin Building, No. 15 Yueliangwan Road, Suzhou Industrial Park	Luo Tianyi
174	Taicang Shanghai East Road Securities Branch	Room 106 & 107, Block 3, No. 168 Shanghai East Road, Loudong Subdistrict, Taicang City	Gao Yang
175	Nanjing Chuangzhi Road Securities Branch	Room 101, No. 2 Chuangzhi Road, Jianye District, Nanjing City	Dai Rongming
176	Nanjing Pubin Road Securities Branch	Room 101, Block 5, CASTD Innovation Plaza, No. 150 Pubin Road, Jiangbei New Area, Nanjing City	Shi Lei
177	Nanjing Shuanglong Avenue Securities Branch	Room 102, No. 1306, Shuanglong Avenue, Jiangning District, Nanjing, Jiangsu, China	Xu Xiaosan
178	Xuzhou Huaihai East Road Securities Branch	Facade 104-3, No. 104 Huaihai East Road, Yunlong District, Xuzhou City, Jiangsu Province	Qin Song
179	Hangzhou Stadium Road Securities Branch	38-1 Qingchun Road, Hangzhou City, Zhejiang Province	Shen Qun
180	Hangzhou Stadium Road Securities Branch	Floor 1, 3, 4, 102 Stadium Road, Hangzhou City, Zhejiang Province	Chen Chuang
181	Hangzhou Shaoxing Road Securities Branch	Room 216-217, 303 Shaoxing Road, Hangzhou City, Zhejiang Province	Zhu Guowei
182	Hangzhou Gudun Road Securities Branch	Room 401, Unit 3, Building 1, Yuyingfang, Qinqinjiayuan, Sandun, Hangzhou City, Zhejiang Province (Extension of Gudun Road)	Sun Zhuo
183	Hangzhou Xintang Road Securities Branch	No. 13, Xintang Road, Hangzhou City, Zhejiang Province	Hu Jun
184	Jiande Xin'an Road Securities Branch	1/F, No. 195 and 3/F, No. 193-195, Xin'an Road, Xin'anjiang Street, Jiande City, Hangzhou, Zhejiang Province	Wu Hao
185	Hangzhou Genshan West Road Securities Branch	Floor 1, 7-8, 220 Genshan West Road, Hangzhou City, Zhejiang Province	Wang Yueqian
186	Hangzhou Yuhang Qiushan Street Securities Branch	No.611-202, Qiushan Street, Donghu Street, Yuhang District, Hangzhou, Zhejiang, China	Gong Xiaojun
187	Tonglu Yingchun South Road Securities Branch	80, 82, Yingchun South Road, Tonglu County, Zhejiang Province	Tong Xialian
188	Shaoxing Securities Branch	No.146, Luxun Middle Road, Shaoxing City, Zhejiang Province	Xi Meijiao

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No.	Name	Securities Branches Address	Person In Charge
189	Deqing Securities Branch	No. 251, Zhongxing South Road, Wukang County, Deqing Town, Zhejiang Province	Wu Tao
190	Huzhou Shiyuan Road Securities Branch	No. 883-885, Shiyuan Road, Nanxun County, Huzhou City, Zhejiang Province	Jin Huan
191	Shaoxing Shangyu Citizen Avenue Securities	Business Department No. 583-589, Citizen Avenue, Baiguan Street, Shangyu District, Shaoxing City, Zhejiang Province	Wang Xiaofeng
192	Yiwu Chouzhou North Street Securities Branch	Floor 1-2, No. 661 and No. 663, Chouzhou, North Road, Yiwu City, Zhejiang Province	Chen Chengjue
193	Lanxi Sanjiang Street Securities Branch	No. 73, Sanjiang Road, Lanjiang Street, Lanxi city, Zhejiang Province	Ni Zhifang
194	Lishui Securities Branch No.	375, Dayang Road, Lishui city, Zhejiang Province	Xie Jianhong
195	Qingtian Longjin Road Securities Branch	Floor 2, No. 16, No. 18, No. 24, No. 18, Longjin Road, Hecheng Street, Qingtian County, Lishui City, Zhejiang Province	Yu Haigen
196	Longquan Hualou Street Securities Branch	No. 268, Hualou Street, Longquan city, Zhejiang Province	Yang Ye
197	Zhuchang Kaien Road Securities Branch	No. 106-113 B, Kaien Road, Miaogao Sub-district, Zhuchang County, Lishui City, Zhejiang Province	Yan Bin
198	Qingyuan Mengzhou Street Securities Branch	Shop 6, Block 7, Mengzhou Huayuan, 209 Mengzhou Street, Qingyuan County, Zhejiang Province	Zhang Yong
199	Wenzhou Danan Street Securities Branch	No. 201, 2nd Floor, Huadu Building, Danan Road, Lucheng District, Wenzhou city, Zhejiang Province	Peng Jie
200	Pingyang Renmin Street Securities Branch	The 1st and 6th Floor of No.158, Renmin Road, Kunyang Town, Pingyang County, Wenzhou City, Zhejiang Province	Zhuo Kehai
201	Cangnan Station Avenue Securities Branch	Rom 201, Block 6, Shidai Dushi Plaza, Lingxi Town Station Avenue, Cangnan County, Wenzhou City, Zhejiang Province	Lin Guanshu
202	Huzhou Securities Branch	No.128, Hongqi Road, Huzhou City, Zhejiang Province	Lou Daxin
203	Quzhou Xujiang Road Securities Branch	No. 65, 67, 69, Xujiang Road, Kecheng District, Quzhou City, Zhejiang Province	Wang Yijie
204	Changxing Jinling North Road Securities Branch	1st Floor, 2nd Floor, 310-312 Jinling North Road, Longshan Street, Changxing County, Huzhou City, Zhejiang Province	Zhu Zhengyi
205	Jiaxing Huancheng South Road Securities Business	Department No. 281, Huancheng South Road, Nanhu District, Jiaxing City, Zhejiang Province	Yang Jianmin
206	Pinghu Jiefang West Street Securities Branch	The 1st and 2nd Floor, No. 62, Jiefang West Road, Danghu Street, Pinghu city, Zhejiang Province	Sun Hangping
207	Jinhua Securities Branch	No. 393, Bayi South Road, Wucheng District, Jinhua city, Zhejiang Province	Zhong Xiaojun

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No.	Name	Securities Branches Address	Person In Charge
208	Taizhou Youdian Street Securities Branch	No.109-125, Youdian Road, Luqiao District, Taizhou City, Zhejiang Province	Yu Wei
209	Wenzhou Station Avenue Securities Branch	No. 10-11, 1/F, Buildings 1 and 2, Jinglong Building, Chezhan Avenue, Lucheng District, Wenzhou, Zhejiang Province	Tu Fenfang
210	Hangzhou Jiangbin West Avenue Securities Branch	16-1 to 16-2, Jiangbin West Avenue, Fuchun Street, Fuyang District, Hangzhou City, Zhejiang Province	Yu Heguo
211	Zhoushan Qiandao Road Securities Branch	1/F, Block A, Jianshe Building, No. 167 Qiandao Road, Lincheng Streets, Dinghai District, Zhoushan City, Zhejiang Province	Zhang Honglei
212	Linhai Duqiao Huancheng South Road Securities Branch	No. 367 Huancheng South Road, Duqiao Town, Linhai, Zhejiang Province	Ren Liqing
213	Taizhou Yinquan Road Securities Branch	188 Yinquan Road, Nanyuan Community, Xicheng Street, Huangyan District, Taizhou, Zhejiang Province	Mou Peng
214	Shaoxing Keqiao Jianhu Road Securities Branch	1-2/F, Block A, 27 Keqiao Jianhu Road, Keqiao District, Shaoxing, Zhejiang Province	Tu Jianguo
215	Chun'an Nanjing Road Securities Branch	No. 332 Nanjing Road, Qiandaohu Town, Chunan County, Hangzhou City, Zhejiang Province	Xu Xinri
216	Hangzhou Tiancheng East Road Securities Branch	No. 246-234, Tiancheng East Road, Hangzhou Economic and Technological Development Zone, (Block 1, Shangsha Yongyu Building) Zhejiang Province	Jin Xinjian
217	Taizhou Donghai Avenue	Securities Branch No. 680 & 682, Donghai Avenue, Taizhou City, Zhejiang Province	Huang Li
218	Zhuji Dongyi Road Securities Branch	No. 90 Dongyi Road, Huandong Subdistrict, Zhuji City, Shaoxing, Zhejiang Province	Zhou Jianzhi
219	Tongxiang Zhenxing East Road Securities Branch	1F9-10.2F9-10, Block C, New Century Tower, Zhenxing East Road, Wutong Sub-district, Tongxiang City	Shen Danxia
220	Hangzhou Shixinzhong Road Securities Branch	No. 651 Shixinzhong Road, Beigan Subdistrict, Xiaoshan District, Hangzhou City, Zhejiang Province	Zhang Yong
221	Yongkang Wuzhou Road Securities Branch	1/F, Jinzhou Building, Yongkang Municipal Headquarters, Jinhua City, Zhejiang Province	Wu Jingyan
222	Wenzhou Yongzhong West Road Securities Branch	Room 125-1 & 125-2, Block 1-6, Wanxinjin Garden, Yongzhong West Road, Longwan District, Wenzhou City, Zhejiang Province	Chen Xiao
223	Linhai Chonghe Road Securities Branch	No. 7-5, 7-6 & 7-7, Chonghe Road, Yongyi Plaza, Gucheng Sub-district, Linhai City, Taizhou City, Zhejiang Province	Zhang Lingjiao
224	Cangnan Longgang Avenue Securities Branch	2/F, Kangxin Building, Longgang Avenue, Longgang Town, Cangnan County, Wenzhou City, Zhejiang Province	Yu Qianqian

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No.	Name	Securities Branches Address	Person In Charge
225	Wenling Sanxing Avenue Securities Branch	No. 297 & 297-1 Sanxing Avenue, Taiping Sub-district, Wenling City, Taizhou City, Zhejiang Province	Chen Chao
226	Anji Shengli West Road Securities Branch	No. 135-137 Shengli West Road, Changshuo Sub-district, Anji County, Huzhou City, Zhejiang Province	Wang Zhiwei
227	Haining Qianjiang West Road Securities Branch	No. 239,241, Qianjiang West Road, Haizhou Subdistrict, Haining City, Jiaxing City, Zhejiang Province	You Faqiang
228	Hangzhou Shipping International Building Securities Branch	Room 120 & 218, Block 2, Shipping International Building, Shangcheng District, Hangzhou City	Bao Sheng
229	Dongyang Shizi Street Securities Branch	No. 13 Shizi Street, Wuning Sub-district, Dongyang City, Zhejiang Province	Jin Kuang
230	Hangzhou Wenyi West Road Securities Branch	Shop 107, 1/F, Block 2, Xixi Center, No. 588 Wenyi West Road, Xihu District, Hangzhou City, Zhejiang Province	Yang Jian
231	Hangzhou Dengyun Road Securities Branch	No. 118-1 & 120 Denyun Road, Gongshu District, Hangzhou City, Zhejiang Province	Che Yu
232	Hangzhou Dongxin Road Securities Branch	No. 654 (Provisional) Dongxin Road, Xiacheng District, Hangzhou City, Zhejiang Province	Wang Jianping
233	Xinchang Lijiang Road Securities Branch	No. 111, Jingxin Building, Lijiang Road, Qixing Street, Xinchang County, Zhejiang Province	Wang Yuehua
234	Pujiang Renmin East Road Securities Branch	No.42, No.42-1, Renmin East Road, Puyang Street, Pujiang County, Zhejiang Province	Lou Jiani
235	Tiantai Chicheng Road Securities Branch	No. 267,269 Chicheng Road, Chicheng Street, Tiantai County, Taizhou City, Zhejiang Province	Lang Jianjun
236	Ningbo Ningchuan Road Securities Branch	1-5-4 of No.1713, 1719, 1721, 1733 Ningchuan Road, No. 30 Anbo Road, No.32-2 Jianning Street, Yinzhou District, Ningbo City, Zhejiang Province	Zhou Hongliang
237	Ningbo Liuting Street Securities Branch	Room 1607-1610, 16/F, No.225 Liuting Street, Haishu District	Wang Yunguo
238	Ningbo Dazha South Road Securities Branch	9-1 and 9-2 of No.218 Xinyi Road, 1-2 of No.507 Dazha South Road, Jiangbei District, Ningbo City, Zhejiang Province	Yin Mingge
239	Ningbo Junzi Street Securities Branch	Room (2-8) (2-9), No. 19, Lane 88, Junzi Street, Haishu District, Ningbo	Li Hui
240	Ningbo Ningnan North Road Securities Branch	No. 1049 Ningnan North Road, Zhonggong Temple Street, Yinzhou District, Ningbo City	Lin Changshan
241	Fenghua Yuelin Road Securities Branch	No. 1-1, 1-2, 1-3, Yuelin Road, Jinpin Street, Fenghua District, Ningbo City,	Xu Ze
242	Yuyao Yangming West Road Securities Branch	No. 348, Yangming West Road, Yuyao City, Zhejiang Province	Xu Yan

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No.	Name	Securities Branches Address	Person In Charge
243	Ningbo Daxie Xinchuang Road Securities Branch	61 Xinchuang Road, Daxie Development Zone, Ningbo	Liu Hengyi
244	Ningbo Baizhang East Road Securities Branch	899, Baizhang East Road, Ningbo City, Zhejiang Province	Feng Yi
245	Cixi Ciyong Road Securities Branch	No. 314-318 Ciyong Road, Hushan Sub-district, Cixi City, Zhejiang Province	Yu Xiaolan
246	Hefei Jincheng Securities Branch	1/F and 10/F, No. 436, Changjiang Middle Road, Luyang District, Hefei City, Anhui Province	Wu Kan
247	Hefei Linqun Road Securities Branch	1/F and 5/F, Block B Xinguanghe Building, No.7377 Linqun Road, Luyang District, Hefei City, Anhui Province	Chen Xiaoqi
248	Ma'anshan Hudong Central Road Securities Branch	Block 2, Jufengyuan, 777 Hudong Central Road, Huashan District, Ma'anshan	Wang Gongman
249	Huangshan Xianrendong South Road Securities Branch	No. 2-40, Xianrendong South Road, Tunxi District, Huangshan, Anhui Province	Lu Wenbin
250	Hefei Tunxi Street Securities Branch	1-2/F, East Podium, Xueyuan Building, No. 525 Huizhou Avenue, Baohe District, Hefei City	Wang Wei
251	Hefei Qimen Street Securities Branch	No. 1569, Qimen Road, Zhengwu New Street, Hefei City, Anhui Province	Kong Jun
252	Wuhu Limin West Street Securities Branch	Taixin Business Center (Huarun Suguo Limin Shopping Mall), Yijiang District, Wuhu city, Anhui Province	Gao Xuemin
253	Bengbu Donghai Street Securities Branch	No. 5183 (Floor 1, East of Business Building, South of Zhanggongshan Park), Donghai Road, Bengbu City, Anhui Province	Zhou Yingyu
254	Anqing Jixian South Road Securities Branch	No. 2 Jixian South Road, Daguan District, Anqing City, Anhui Province	Ji Xiong
255	Huainan Guangchang Road Securities Branch S	hop No. 116, 215, 216, Lucheng Garden, Plaza Road, Tianjiaan District, Huainan City, Anhui Province	Wang Tao
256	Hefei Yungu Road Securities Branch	Shop 105/105 Central, Block C03, Lakeside Mansion, Intersection of Yungu Road and Jindou Road, Baohe District, Hefei City	Jiang Qing
257	Tongling Yi'an Avenue Securities Branch	Room C102, Fortune Plaza, No. 1287 Yi'an Avenue North, Tongling City, Anhui Province	Han Hong
258	Fuyang Huaihe Road Securities Branch	Room 7#111, Zone A-3, Wanda Plaza, No. 789 Huaihe Road, Qinghe Subdistrict Office, Yingzhou District, Fuyang City	Deng Guxia
259	Chizhou Shicheng Avenue Securities Branch	Room 102, Block 1, Kaixuanmen, Shicheng Avenue, Chizhou City, Anhui Province	Xu Xiaolong

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No.	Name	Securities Branches Address	Person In Charge
260	Fuzhou Securities Branch	Storefront 01, 2nd Floor and Storefront 12 and 13, 1st Floor, Building 1, Fuzhou Jiyou Square, No.39, Fuma Road, Gulou District, Fuzhou City, Fujian Province	Chen Qing
261	Fuzhou Dongshui Street Securities Branch	The 2nd to 3rd Floor, No. 55, Design Building Dongshui Road, Gulou District, Fuzhou City	Zheng Qingyu
262	Zhangzhou Shuixian Street Securities Branch	Room D3, Building D-E, Rongchang Square, Rongchang Garden, Shuixian Street, Longwen District, Zhangzhou City, Fujian Province	Lei Jintao
263	Fuzhou Yeshan Road Securities Branch	Floor 4, Zonghe Building, No. 105 Yeshan Road, Gulou District, Fuzhou City, Fujian Province	Lin Jiqing
264	Quanzhou Nanjun Road Securities Branch	No. 132, Nanjun North Road, Dongsheng Community, Kaiyuan Subdistrict, Licheng District, Quanzhou City, Fujian Province	Wu Liangkai
265	Sanming Liedong Street Securities Branch	Shop 6,7,8, 1/F, Block 362, Gan Long New Village, Meilie District, Sanming City	Peng Dezhao
266	Wanda Palaza Securities Branch	Duplex shop 06, Floors 1 & 2, & Duplex Shop 07, 2/F No. B3-B6, B9-B13, Fuqing Wanda Palaza, Yinxi Street, Fuqing City, Fuzhou City, Fujian Province	Chen Feng
267	Putian Yanshou Zhongjie Securities Branch	Room 104, Room 105, Room 106, Level 1, Building E, Liyuan Community, No. 1786, Yanshou Middle Street, Gongchen Street, Wucheng District, Putian City, Fujian Province	Lin Weifan
268	Ningde Securities Branch	Room 101 & 201, Block 1, Qinghua Court, No. 39 Jiaocheng South Road, Jiaocheng District, Ningde City, Fujian Province	Chen Gang
269	Yunxiao Jiangjun Avenue Securities Branch	No. 101-103, Block 7, Yijing Sunshine, Jiangjun Avenue, Yunxiao County, Fujian Province	Fang Zhongzhong
270	Fuzhou Baima Road Securities Branch	Shop 01, 1/F, Block 1#, Qunsheng – Baima Shire, No. 10 Pudong Road, Yizhou Sub-district, Taijiang District, Fuzhou City, Fujian Province	Wei Min
271	Fuzhou Qunzhong Road Securities Branch	2/F, Jincheng International Building, East Wing, No. 49 Qunzhong Road, Chating Sub-district, Taijiang District, Fuzhou City, Fujian Province	Yang Jian
272	Longyan Shuanglong Road Securities Branch	Shop F24, F25 & F26, Wanda Plaza, No. 1 Shuanglong Road, Caoxi Subdistrict, Xinluo District, Longyan City, Fujian Province	Gu Weidong
273	Nanping Binjiang West Road Securities Branch	112#, Building 16, Wanda Central Huacheng, Binjiang West Road, Tongyou Group, Wuyi New District, Nanping City	You Zhifeng

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No.	Name	Securities Branches Address	Person In Charge
274	Xiamen Meihu Street Securities Branch	No. 75-87, Meihu Road, Xiamen city	Chen Huashu
275	Xiamen Minzu Road Securities Branch	Unit 1702 & 1703, Century Center, No. 50 Minzu Road, Siming District, Xiamen City	Ding Fuyun
276	Xiamen Jiahe Street Securities Branch	The 5th Floor, Block C New Jingyuan Center, No. 25, Jiahe Road, Siming District, Xiamen city	Zeng Wenqing
277	Xiamen Tongan Xiangping Securities Branch	Block 6, No. 72, Xiqiao Road, Xiangping Street, Tongan District, Xiamen City	Wei Xiangfei
278	Xiamen Haitian Road Securities Branch	Unit 7, No. 55 Haitian Road, Huli District, Xiamen City	Sun Shuling
279	Xiamen Tapu East Road Securities Branch	Room 102, No. 171 Tapu East Road, Siming District, Xiamen City	Wang Junzhao
280	Xiamen Honglian Road Securities Branch	Unit 102, No. 17 Honglian Road, Siming District, Xiamen City	Yan Dongsheng
281	Nanchang Yangming Road Securities Branch	1/F, 3/F and Room 411-412 of 4/F, Jiangxi Raobo News Building, No.190 Yangming Road, Donghu District, Nanchang City, Jiangxi Province	Jin Zicheng
282	Nanchang Honggutan New Area Securities Branch	Room 101-104, 201-204, 301-304, Commercial Building, 1# Commercial House, Shimao Tiancheng, 1850 Honggu Middle Road, Honggutan New District, Nanchang, Jiangxi, China	Gong Mingqing
283	Ganzhou Dengfeng Avenue Securities Branch	Shops 7#, 8# and 9#, Block 5, Qidian New World, No. 19 Dengfeng Avenue, Zhanggong District, Ganzhou City, Jiangxi Province	Li Zhixue
284	Shangrao Daihu Road Securities Branch	No.1-1, Block 2, No. 50 Daihu Road, Xinzhou District, Shangrao City, Jiangxi Province	Wang Jianhong
285	Nanchang Hongguzhong Avenue Securities Branch	Room 105, Storefront, Block 2, District 1, Wan Da Xing Cheng Phase 3, Honggutan New District, Nanchang City, Jiangxi Province	Li Jianqiao
286	Yudu Lianxi Road Securities Branch	12-1#109, Xuefu Commercial Street, Lianxi Road, Gongjiang Town, Yudu County Xie Jian	Xie Jian
287	Nanchang Liantang Securities Branch	No. 888 Lianxi Road, Liantang Town, Nanchang County, Nanchang City, Jiangxi Province	Peng Jian
288	Pingxiang Shaoshandong Road Securities Branch	Room 109-112, Block 1, Kaixuan Shangri, No. 789 Shaoshandong Road, Anyuan District, Pingxiang City, Jiangxi Province	Li Jin
289	Yantai Securities Branch	No.175, Xinanhe Road, Zhifu District, Yantai City, Shandong Province	Zhang Huasheng

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No.	Name	Securities Branches Address	Person In Charge
290	Jinan Jingqi Street Securities Branch	No. 83, Jingqi Road, Jinan City, Shandong Province	Zhong Jian
291	Zibo Linzi Street Securities Branch	No. 698, Linzi Street, Linzi District, Zibo City Shandong Province	Wu Tao
292	Jinan Wuyuan Street Securities Branch	Room 05, 06, 13th Floor, No. 102, Wuyuan Street, Lixia District, Jinan City (Business Venue: Unit L112-2, No. 106 Lixia Avenue)	Wu Yunpeng
293	Weihai Tongyi Road Securities Branch	1-2/F North Wing, No.57 Tongyi Road, Huancui District, Weihai City, Shandong Province	Shao Renhang
294	Jining Guanghe Road Securities Branch	Yinhe Building, No. 18 Guanghe Road, Jining City	Du Zhaohui
295	Dongying Fuqian Avenue Securities Branch	No. 84 Fuqian Avenue, Dongying District	Che Xiaoyu
296	Linyi Yimeng Road Securities Branch	Room 103, 203, 303, Building 22, Shifu Community, No. 108 Yimeng Road, Lanshan District, Linyi City (Opposite of Xizhi Hotel)	Xu Yingying
297	Rizhao Weihai Road Securities Branch	Room 102, 01 Unit, Block 1AB, B District, Xinyinghuafu, Weihai Road, Donggang District, Rizhao City, Shandong Province	Xing Lin
298	Liaocheng Dongchang West Road Securities Branch	No.111 Dongchang West Road, Dongchangfu District, Liaocheng City, Shandong Province	Wang Yongmei
299	Tai'an Changcheng Road Securities Branch	No. 09, Block 1, Dazhan Xincheng Guoji, West side of Beishou, Changcheng Road, Tai'an City	Lu Huawei
300	Dezhou University West Road Securities Branch	1-2/F, No. 2, Block 2, Huajin Garden, University West Road, Tianqu Subdistrict Office, Decheng District, Dezhou City, Shandong Province	Wang Zheng
301	Binzhou Huanghe Fifth Road Securities Branch	No. 356 Huanghe Fifth Road, Bincheng District, Binzhou City, Shandong Province	Xin Tong
302	Qingdao Nanjing Road Securities Branch	No. 100-E, Nanjing Road, Shinan District, Qingdao	Niu Zhikai
303	Qingdao Hong Kong West Road Securities Branch	Block 1-5, No. 22, Xianggang West Road, Shinan District, Qingdao City	Liu Zhengyang
304	Qingdao Development Zone Securities Branch	Room 201, Building No. 1, Block 27, No. 157 Dongjiang Road, Huangdao District, Qingdao City, Shandong Province	Zou Haimiao
305	Qingdao Qinling Road Securities Branch	No. 107, Tower House, Haiyun Dongfang Building, No. 15, Qinling Road, Laoshan District, Qingdao City, Shandong Province	Ma Yong

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No.	Name	Securities Branches Address	Person In Charge
306	Qingdao Harbin Road Securities Branch	No. 204, Block 2, Commercial Building, No. 52 Harbin Road, Shibei District, Qingdao City, Shandong Province	Duan Zhiqiang
307	Qingdao Jimo City Yanqing Road Securities Branch	No. 510 Yanqing Road, Jimo City, Qingdao City, Shandong Province	Du Weichao
308	Zhengzhou Jiankang Street Securities Branch	No.168, Jiankang Road, Jiushui District, Zhengzhou City	Wang Junzhao
309	Zhengzhou Longhai Street Securities Branch	Floor 4, No. 59, Longhai Road, Zhengzhou City	Zhang Yao
310	Zhengzhou Dongfeng Road Securities Branch	103, Block 3, No.217 Dongfeng Road, Jinshui District, Zhengzhou City	Wang Chunxia
311	Zhengzhou Nanyang Street Securities Branch	Heli Building, Attached No. 16, No. 76 Huanghe Road, Jinshui District, Zhengzhou City	Zhang Qingjun
312	Zhengzhou Shanhe Securities Branch	No. 39, Weiwu Road, Jinshui District, Zhengzhou City	Ma Chaoqun
313	Xuchang Xuji Avenue Securities Branch	No. 589, Xuji Avenue, Weidu District, Xuchang City	Pan Haixia
314	Xinxiang Youyi Road Securities Branch	Room 107, 1-2/F, Building 28, 103 Factory Residential Community, No. 1 Youyi Road, Xinxiang City	Wang Qingfeng
315	Luoyang Taikang Road Securities Branch	105, Building 3, Yuanhua International City Apartment, 30 Taikang Road, Luolong District, Luoyang City, Henan Province	Li Ke
316	Ruzhou Securities Branch	No. 54 Chengyuan North Road, Ruzhou City	Fu Wei
317	Zhumadian Wenming Avenue Securities Branch	Northwest Corner of the Intersection of Fengze Road and Wenming Road, Zhumadian Development Zone	Niu Chang
318	Xinyang Beijing Road Securities Branch	Shop 108, 208 & 209, Block 9, Zhengtong Guihua Court, No.187 Beijing Road, Shihe District, Xinyang City	Jiang Bo
319	Kaifeng Hanxing Road Securities Branch	Kaifeng City, Hanxing Road and Huanghe Road intersection, Sena left bank, Building 8, Shop No. 3	Wang Dong
320	Wuhan Aomen Street Securities Branch	No.123, Aomen Road, Jiangnan District, Wuhan City, Hubei Province	Zhao Baohe
321	Wuhan Hanyang Securities Branch	No.155, Yingwu Avenue, Hanyang District, Wuhan	Wang Xuan
322	Wuhan Zhongnan Road Securities Branch	No.456 (New Era Business Center), Wuluo Road, Zhongnan Road, Wuchang District, Wuhan City, Hubei Province	Gu Xiongfei
323	Wuhan Xinhua Road Securities Branch	IFC, No. 296, Xinhua Road, Jiangnan District, Wuhan City	Xiong Feng
324	Wuhan Jiyuqiao Securities Branch	Yuqiao New Building, No. 6 and 7 Annex Building, Jiyuqiao, Wuchang District, Wuhan City, Hubei Province	Ye Jun

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No.	Name	Securities Branches Address	Person In Charge
325	Wuhan Wuluo Street Securities Branch	No. 2-3, 4/F, & No. 105, 1/F, Future Apartment, No. 668 Wuluo Road, Hongshan District, Wuhan City	Wu Zhonghao
326	Wuhan Hanyang Securities Branch	13/F, Building No. 9 (Times Center), Block 9, 10 & 11, Lot B, Hanyang Renxinhui, No. 56 Longyang Avenue, Hanyang District, Wuhan City	Dong Lintao
327	Wuhan Zhuankou Ninggang Street Securities Branch	No. 262-267, Shenlong Commercial Street, No. 69 Ninggang Road, Wuhan Economical and Technical Development Zone	Dai Dongchen
328	Yichang New Century Securities Branch	No. 21, Yunji Road, Yichang City, Hubei Province	Gong Aiming
329	Jingmen Securities Branch	No.118, Xiangshan Street, Dongbo District, Jingmen City, Hubei Province	Wang Wei
330	Shayang Hanjin Street Securities Branch	No. 53, Hanjin Road, Shayang County, Jingmen City, Hubei Province	Tong Dehong
331	Xiangyang Securities Branch	No. 31, Daiqing West Road, Fancheng District, Xiangyang City	Yu Rongyan
332	Zaoyang Securities Branch	2nd Floor, Yulongju Office Building, Middle Section of Renmin Road, Zaoyang City	Tian Guosheng
333	Wuhan Guanggu Securities Branch	No. 1077, Luoyu Road, Hongshan District, Wuhan City	Zhang Renfei
334	Changsha Furong Middle Street Securities Branch	No. 275, 2nd of Furong Middle Road, Yuhua District, Changsha City	Zou Wenchao
335	Loudi Leping Avenue Securities Branch	The eighth and ninth floors of No. 266, Leping Avenue East, Louxing District, Loudi City, Hunan Province	Xie Liang
336	Changsha Jiefang Middle Road Securities Branch	5th Floor, Huaqiao Building, No. 18 Jiefang Middle Road, Furong District, Changsha City	He Boyuan
337	Xiangtan Furong Central Road Securities Branch	No. 0101004 Zhongyi International, No. 52 Furong Central Road, Baota Streets, Yuetang District, Xiangtan City	Feng Jun
338	Zhuzhou Tianyuan Huangshan Road Securities Branch	Room 207, 107, Block 6, Hua Chen Yu Yuan, Huangshan Road, Tianyuan District, Zhuzhou City	Bi Shan
339	Shaoyang Hongqi Road Securities Branch	No. 460 Hongqi Road, Daxiang District, Shaoyang City	Li Yalin
340	Huaihua Yingfeng West Road Securities Branch	No. 152 Yingfeng West Road, Hecheng District, Huaihua City, Hunan Province	Tan Gongxian
341	Changde Jianshe Road Securities Branch	Block 6, Hongxin Mingdu Taolin, No. 800 Jianshe Road, Jianmin Lane Community, Danyang Sub-district Office, Wuling District, Changde City, Hunan Province	Li Zhengjun

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No.	Name	Securities Branches Address	Person In Charge
342	Hengyang Jiefang Avenue Securities Branch	1/F, Zijin Garden, No. 4 Jiefang Avenue, Hengyang High-tech Zone, Hunan Province	Feng Ling
343	Yueyang Jianxiang Road Securities Branch	Shop 1102, Tianlun International, No. 599 Jianxiang Road, Yueyanglou District, Yueyang City	Wei Hua
344	Zhangzhou Renmin East Road Securities Branch	No. 201, No. 11, Renmin East Road, Beihu District, Chenzhou City, Hunan Province	Yan Xin
345	Changsha Furong Road Securities Branch	32002-32004, Office Building, T6 Building, Fuxing • World Financial Center, No. 303, Section 1, Furong Middle Road, Dongfeng Road, Kaifu District, Changsha City	Liu Te
346	Guangzhou Tianhe North Road Securities Branch	Part of the 1st to 3rd Floors, Guangzhou Building, No. 90-108, Tianhe North Road, Tianhe District, Guangzhou City	Shi Nan
347	Guangzhou Dongfeng Middle Road Securities Branch	Shop 401, 402, 403-1, 4/F, Zhujiang Yide Building, No. 362 Dongfeng Middle Road, Yuexiu District, Guangzhou City	Zeng Jun
348	Guangzhou Zhongshan 2nd Street Securities Branch	O Unit 1/F and 203-213 Unit 2/F, Dianxin Square, No. 18, Zhongshan 2nd Road, Yuexiu District, Guangzhou City	Pan Xiang
349	Guangzhou Huanshi East Road Securities Branch	No. 336, 3/F, Huanshi East Road, Yuexiu District, Guangzhou City	Xu Bier
350	Guangzhou Huaxia Road Securities Branch	Units 02-04A (self-made number), 24/F, Yajule Centre, 26 Huaxia Road, Tianhe District, Guangzhou	Xiong Wenfeng
351	Jieyang Wangjiang North Street Securities Branch	No. 52 Sunwen East Road, Shiqi District, Zhongshan City, Guangdong Province	Wei Dan
352	Zhongshan Guzhen Securities Branch	The 1st and 2nd Floor, No.17 and 18, Dengdu New Field C District, Sports Road, Guzhen Town, Zhongshan City, Guangdong Province	Kuang Luqian
353	Zhongshan Huangpu Xinfeng North Road Securities Branch	Shop 02, 03, 09, 10, 11, Building 7 Lantian Jindi Garden, No. 63 Xinfeng North Road, Huangpu Town, Zhongshan City, Guangdong Province	Yang Xinsheng
354	Zhongshan Xiaolan Zijin East Road Securities Branch	B Unit, 2/F, No. 70 Xiaolan Zijin East Road, Zhongshan City, Guangdong Province	Ye Shaowen
355	Foshan Shunde Daliang Securities Branch	Zone A, Floor 4, Xindeye Business Center, Jincheng Garden, No. 11 Dongle Road, Yun Road, Shunde District, Foshan City, Guangdong Province	Tian Dongmei
356	Foshan Shunde Ronggui Securities Branch	Shops No. 9-15, 1/F, Block C, Happiness Garden, Middle Guizhou Street, Happiness Neighborhood Committee, Ronggui, Shunde District, Foshan City, Guangdong Province	Shao Xinglu

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No.	Name	Securities Branches Address	Person In Charge
357	Foshan Shunde Lecong Securities Branch	No. 305, No. 306, Steel Trade Building, No. A1, Xinhua Road, Lecong Community Committee, Lecong Town, Shunde District, Foshan City, Guangdong Province	Qi Xixia
358	Foshan Securities Branch	No. 2, Renmin West Road, Shancheng District, Foshan City, Guangdong Province	Wu Hui
359	Foshan Nanhai Guiping West Street Securities Branch	Shop 106, Block 1, Block 1, Yineng International Plaza, No. 2, Guiyu North Road, Guicheng Street, Nanhai District, Foshan City, Guangdong Province	Cao Wuquan
360	Zhanjiang Lu Hua Street Securities Branch	Office 1004-1008, 10th Floor, No.7 Amenity Building, No. 48, Lu Hua Street, Zhanjiang Development Zone and 1022A Shop, 1st Floor, No. 8 Commercial Podium, Lu Hua Street, Zhanjiang Development Zone	Lin Wenqing
361	Huizhou Wenming 1st Street Securities Branch	908-912 Unit, Floor 9, Fushen Building, No. 9, Jiangbei Wenming Road, Huicheng District, Huizhou City, Guangdong Province	Dong Xinxing
362	Zhuhai Ji Da Street Securities Branch	District B, 1st Floor, No.99, Ji Da Street, Xiangzhou District, Zhuhai City, Guangdong Province	Miao Di
363	Dongguan Dongcheng Central Road Securities Branch	701 and 702, Junhao Business Centre, Dongcheng Central Road, Gangbei, Dongcheng Street, Dongguan, Guangdong Province	Sun Bao
364	Shantou Songshan Road Securities Branch	No. 89, Songshan Road, Shantou, Guangdong Province	Chen Chengtong
365	Shantou Chenghai Securities Branch	Floors 1 to 4, Jingtai Plaza, Block C21, Huijing Garden, Chenghai District, Shantou City, Guangdong Province	Chen Zhihua
366	Shantou Chaoyang Securities Branch	No. 36, Dongshan Street, Chaoyang District, Shantou City, Guangdong Province	Cai Baodong
367	Shantou Jinsha Road Securities Branch	Floor 10, No. 97, Jinsha Road, Shantou City, Guangdong Province	Huang Shaoyong
368	Shantou Hanjiang Street Securities Branch	No.1, Hanjiang Road, Shantou City, Guangdong Province	Lan Jiekai
369	Guangzhou Panyu Wanbo Fourth Road Securities Branch	301-1, Block 2, No. 42 Wanbo Fourth Road, Nancun Town, Panyu District, Guangzhou City	Liang Jian
370	Jiangmen Development Avenue Securities Branch	Room 1201-1204, Block 1, Jiangmen Wanda Plaza, Pengjiang District, Jiangmen City, Guangdong Province	Chen Gang
371	Jieyang Wangjiang North Street Securities Branch	No.16, The 1st and 2nd Floor, Hemeiyuan Wangjiang North Road, Rongcheng District, Jieyang City, Guangdong Province	Cai Zelin
372	Zhanjiang Lianjiang Nan Bei Road Securities Branch	No. 18 New District of Nan Bei Road, Lianjiang, Zhanjiang, Guangdong Province	Luo Yufeng

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No.	Name	Securities Branches Address	Person In Charge
373	Dongguan Humen Avenue Securities Branch	Shop 102, West, Top Floor, No. 9 Building C5 Hengyu Bay, Xinghu Avenue, Zhaoqing City, Guangdong Province	Mai Weixin
374	Guangzhou Guangzhou Avenue Central Securities Branch	Room 2502, North Tower, No. 988 Guangzhou Avenue Central, Tianhe District, Guangzhou City	Chen Wen yuan
375	Zhongshan Sanxiang Jingguan Avenue Securities Branch	Cart 48, Jing Guan Hao Ting, No. 2 Jingguan Avenue, Sanxiang Town, Zhongshan City, Guangdong Province	Ning Shaojun
376	Foshan Nanzhuang Dijing North Road Securities Branch	P1, 1/F, District 3, No. 16 Dijing North Road, Shichian Town, Foshan City, Guangdong Province	Chen Wenfeng
377	Foshan Shunde Longjiang Donghua Road Securities Branch	Shop 76-77, Bao Li Jia Yuan, No. 23 Donghua Road, Xixi Community Residence Committee, Longjiang Town, Shunde District, Foshan City, Guangdong Province	Chen Shaoyu
378	Zhongshan Cuiling Road Securities Branch	Cart 17, 2/F, Block 1, Tian Qing Hui Fu, No. 2 Cuiling Road, Huoju Development Zone, Zhongshan City, Guangdong Province	Lin Junbin
379	Zhanjiang Guanhai North Road Securities Branch	House 21, 1/F, Block 2, 3, 4, 5, Zhanjiang Bin Hai Yuan, No. 1 Guanhai North, Chikan District, Zhanjiang City, Guangdong Province	Guan Shaoxia
380	Dongguan Humen Avenue Securities Branch	No. 12, Jinyue Court North, Block D, Huang Jin Zhou Gao Ke Building (Jin Se Jia Yuan), Humen Town, Dongguan City, Guangdong Province	Ning Ximing
381	Foshan Nanhai Dali Securities Branch	Room 605, 6th Floor, Rui Bao Commercial Building, No. 11 Xin Cheng Road, Dali Town, Nanhai District, Foshan City, Guangdong Province	Wu Riwen
382	Zhanjiang Renmin Avenue Central Securities Branch	Shop 05, 1/F, Chengshi Shangpin Building, 40 Renmin Avenue Central, Zhanjiang Development Zone, Guangdong Province	Qiu Meiyong
383	Guangzhou Zengcheng Licheng Street Securities Branch	Room 1001, No. 20-1, Minle Road, Licheng Street, Zengcheng, Guangzhou City	Yang Ruizhen
384	Guangzhou Yuejiang Central Road Securities Branch	Room 106, 301 No. 686, Yuejiang Central Road, Haizhu District, Guangzhou City	Cheng Shixuan
385	Zhanjiang Leizhou Xihu Avenue Securities Branch	Shop 103, Block C1, Long Jing Ming Ju, 99C Xihu Avenue, Leizhou City, Guangdong Province (inside the former Light Machinery Factory)	Zhuang Qing
386	Guangzhou Fangcun Avenue West Securities Branch	1/F, 2/F, No. 295 Fangcun Avenue West, Liwan District, Guangzhou City	Li Lijun
387	Guangzhou Guanhong Road Securities Branch	Room 201-205, 207 and 208, 2/F, No. 12 Guanhong Road, Luogang District, Guangzhou City	Long Ming
388	Guangzhou Airport Road Securities Branch	Room 106A, No. 585 Airport Road, Baiyun District, Guangzhou City	Dong Siyi

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No.	Name	Securities Branches Address	Person In Charge
389	Meizhou Yanjiang West Road Securities Branch	No. 32, Yanjiang West Road, Meizhou City, Guangzhou Province	Sima Wanxia
390	Qingyuan Yinquan South Road Securities Branch	105 and 106, Commercial Building 7, Wanke Huafu, 31 Yinquan South Road, Xincheng, Qingyuan, Guangdong Province	Zhu Guang
391	Guangzhou Dasha East Road Securities Branch	Shops 101 and 102, 205 Dasha East Road, Huangpu District, Guangzhou	Yang Haiyan
392	Chaozhou Chaofeng Road Securities Branch	Shops No. 9-10 and Office No. 3 at mezzanine and 2/F, Block A, Chaofa Garden, Chaofeng Road, Chaozhou, Guangdong Province	Li Hao
393	Foshan Shunde Outer Ring Road Securities Branch	Shop 17, Block 6, Baoli Bund Garden, No. 2 Rong Gui Xiao Huang Pu Residents Committee Outer Ring Road, Shunde District, Foshan City, Guangdong Province	Chen Yuxiang
394	Guangzhou Huacheng Avenue Securities Branch	1/F (Portion: a unit of Room 103 (selfnumbered)), No. 665 Huacheng Avenue, Tianhe District, Guangzhou City	Chen Yi'ang
395	Guangzhou Huadu Fenghuang North Road Securities Branch	Shop 1-2, Fengshang Commercial Building, 10 Fenghuang North Road, Xinhua Street, Huadu District, Guangzhou City	Bi Yanhui
396	Foshan Shunde Guotai South Road Securities Branch	Shop 13 and 14 of Poly Zhonghui Garden, No. 2, Guo Tai South Road, Daliang De He Neighbourhood Committee, Shunde District, Foshan, Guangdong Province	Shen Chun
397	Guangzhou Binjiang East Road Securities Branch	Room 101, No. 554-3, Binjiangdong Road, Haizhu District, Guangzhou City	Chen Xiongwen
398	Heyuan Yuewang Avenue Securities Branch	Shops 45 & 46, Huayi Court, Guangcheng Zhongyuan Square, No. 102 Yuewang Avenue, Yuancheng District, Heyuan City, Guangdong Province	Zeng Yufeng
399	Huizhou Danshui Securities Branch	Shops 11, 12 & 13, 2/F, Block 3, Enswan Business Culture Center, Danshui Tuhu Liuwubei, Huiyang District, Huizhou City, Guangdong Province	Zhou Xijin
400	Zhongshan Xingwen Road Securities Branch	Unit 50, 1/F, Block 7-12, Dijing Dongfang Garden, 13 Xingwen Road, East District, Zhongshan City, Guangdong Province	Wan Canrong
401	Dongguan Dongjun Road Securities Branch	Shops A102 & A103, Dongjun Haoyuan Phase I, No. 28 Dongjun Road, Hongtu Community, Nancheng Subdistrict, Dongguan City, Guangdong Province	Lin Qingcai
402	Shaoguan Jiaoyu Road Securities Branch	Shops 14 2018, Hongye Youshan Meidi Garden, No. 279 Kangle Village, Jiaoyu Road, Wujiang District, Shaoguan City, Guangdong Province	Zhou Qinghua

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No.	Name	Securities Branches Address	Person In Charge
403	Foshan Shunde Yixing Road Securities Branch	Zone A4, 1/F, Yingfeng Center, No. 8 Yixing Road, Xincheng District, Beijiao Town, Shunde District, Foshan City, Guangdong Province	Zhao Huizan
404	Zhuhai Hengqin Securities Branch	Block B, Level 6, Building 6, Hengqin Financial Industry Development Base, Hengqin New District, Zhuhai City	Liang Yuhua
405	Shenzhen Shennan Avenue Securities Branch	Unit 1701-01, Block A, Jingji 100 Building, No. 5016 Shennan East Road, Luohu District, Shenzhen City	Lin Jianmin
406	Shenzhen First High-Tech New South Avenue Securities Branch	Room 301, No. 3 Annex Building, Science Development Institute of China, No. 009 First High-Tech New South Avenue, Nanshan District, Shenzhen	Tang Zhigang
407	Shenzhen Luohu Securities Branch	1301-1302 13/F and 1501-1506 15/F, East Financial Building, No. 2020, Dongmen Middle Road, Luohu District, Shenzhen	Fang Peng
408	Shenzhen Shenye Shangcheng Securities Branch	Units 5301 and 5302 of T2 Building, Shenye Shangcheng (South District), No. 5001 Huanggang Road, Huancheng Village, Huaifu Street, Futian District, Shenzhen	He Qiang
409	Shenzhen Jingtian Securities Branch	2/F, Saigejingyuan Building, 17 West Jingtian Road, Futian District, Shenzhen City	Lin Yibin
410	Shenzhen Xianglin Road Securities Branch	701-705 Fuchun Oriental Building, Xianglin Road, Futian District, Shenzhen City	Zhou Fangyu
411	Shenzhen Fuhua First Road Securities Branch	Unit 05, 06, 27th Floor, China Life Building, 123 Fuhua 1st Road, Fu'an Community, Futian District, Shenzhen, China	Hu Xuemei
412	Shenzhen Longxiang Avenue Securities Branch	Room 0211-0214, Ziwei Court Clubhouse, Ziwei Garden, No. 7097 Longxiang Avenue, Longcheng Subdistrict, Longgang District, Shenzhen City	Zhou Lijun
413	Shenzhen Minzhi Securities Branch	Building 145, Building 7, Qilixiang, Daling Community, Minzhi Street, Longhua District, Shenzhen, China	Shen Dan
414	Shenzhen Pingshan Kengzi Xinfu	Street Securities Branch 302, No. 36 Xinfu Street, Kengzi Office, Pingshan New District, Shenzhen City	Liu Jianrong
415	Shenzhen OCT Securities Branch	604, Hantang Building, Overseas Chinese Town, Nanshan District, Shenzhen City	Yang Haoyuan
416	Shenzhen Longhua Securities Branch	305 and 306, Henghe International Building, Donghuan 1st Road, Longhua Street, Longhua New District, Shenzhen	Yin Xinmin
417	Shenzhen Yinhu Road Securities Branch	East Wing, Floor 2, Yinhu Restaurant, No. 38, Yinhu Road, Qingshuihe Street, Luohu District, Shenzhen	Chen Xinghua
418	Shenzhen Fuyong Avenue Securities Branch	Floor 4, Zhengfeng Building, No.7, Fuyong Avenue, Fuyong Street, Bao'an District, Shenzhen	Dai Hui

APPENDIX I. INFORMATION ON SECURITIES BRANCHES

No.	Name	Securities Branches Address	Person In Charge
419	Shenzhen Qianhai Securities Branch	Unit 605, 6/F, Block 8, One Excellence, No. 5033 Monheit Avenue, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen	Mo Guiyong
420	Shenzhen Bao'an Haixiu Road Securities Branch	No. 3-49, Block 2, Tower B, Logan Century Center, No. 23 Haixiu Road, Xin'an Sub-district, Bao'an District, Shenzhen	Mei Jialin
421	Shenzhen Guangming Securities Branch	No. A25 & A26, Block 1, North Zone, Fuying Zhongyang Mountain Garden, Zhenming Road, Gongming Subdistrict, Guangming New Area, Shenzhen	Huang Canhui
422	Shenzhen Bantian Securities Branch	No. 201, 2/F, Tower D, Galaxy WORLD, No. 1 Yabao Road, Bantian Subdistrict, Longgang District, Shenzhen	Li Kaien
423	Shenzhen Nanshan Coastal City Securities Branch	Unit 1111, East Block, Coast Building, No. 15 Haide 3rd Road, Yuehai Street, Nanshan District, Shenzhen	Hu Yuehang
424	Shenzhen Tianan Yungu Securities Branch	Building 106, Phase 1, Tian'an Yungu Industrial Park, Gangtou Community, Bantian Street, Longgang District, Shenzhen, China	Zhang Haiyu
425	Nanning Yuan, Hunan Road Securities Branch	No.12-2 Yuanhu South Road, Qingxiu District, Nanning City	Huang Jianhua
426	Guilin Middle Zhongshan Road Securities Branch	8/F, South Tower, Bagui Building, 47 Middle Zhongshan Road, Guilin City, Guangxi Province	Li Jiaping
427	Liuzhou Youyi Road Securities Branch	Room 2-2, Youyiguoji, 11th Building, No. 4 Youyi Road, Liuzhou City	Zheng Feilong
428	Hezhou Jianshe Middle Road Securities Branch	Shop on 1/F, Block A, No. 31, Middle Jianshe Road, Babu District, Hezhou City, Guangxi	Zhou Wang
429	Yulin Guangchang East Road Securities Branch	No. 139, Guangchang East Road, Yuzhou District, Yulin City, Guangxi	Yang Zhenghao
430	Haikou Guoxing Avenue Securities Branch	Room C408, C409, C410, C411, 4th Floor, East Building, Block B, Plot S5, Guorui City, No. 11 Guoxing Avenue, Meilan District, Haikou, Hainan Province	Chen Weihong
431	Sanya Yingbin Road Securities Branch	2/F, Shop 3, Zone 5, Shanshui Tianyu community, Yinbin Road, Jiyang District, Sanya, Hainan Province	Chen Yongzhi
432	Chongqing Minzu Road Securities Branch	3/F, Block B, 108 Minzu Road, Yuzhong District, Chongqing City	Yan Huaqiao
433	Chongqing Jiangnan Avenue Securities Branch	Room 5-1, Chengshizhiguang Building, No.19 Jiangnan Avenue, Nanping Subdistrict, Nan'an District Chongqing City	Tang Hewen
434	Chongqing Mixc Securities Branch	No. 2-1, Block 26, No. 55 Xiejiawan Main Street, Jiulongpo District, Chongqing City	Cao Yi

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No.	Name	Securities Branches Address	Person In Charge
435	Chongqing East Jianxin Road Securities Branch	2/F, Baiyexing Building, No. 3 East Jianxin Road, Jiangbei District, Chongqing City	Liu Yu
436	Chongqing Yinhua Road Securities Branch	1/F, Qinianyuecheng 7th Building, No. 166 Yinhua Road, Longshan Subdistrict, Yubei District, Chongqing City	Ge Ning
437	Chongqing Jiangjin Securities Branch	Unit 3-1 Block 1, Xiangrui Building, No. 518 Dingshan Road, Dingshan Subdistrict, Jiangjin District, Chongqing City	Liu Yu
438	Chongqing Hanyu Road Securities Branch	No. 40, No. 18, Hanyu Road, Shapingba District, Chongqing	Xiong Feng
439	Chongqing Songqing Road Securities Branch	No. 1-1-138, No. 18 Cuiyun Street, No. 1048 Songqing Road, Chunhui Road Streets, Dadukou District, Chongqing City	Xiong Qiao
440	Chongqing Ruitian Road Securities Branch	No. 182-18, Ruitian Road, Yuzhong Road, Chongqing City	Huang Rui
441	Chongqing Banan District Securities Branch	Annex No. 4-6, No. 241 Yunan Avenue, Banan District, Chongqing City	Zhang Shuobin
442	Chongqing Wanzhou Securities Branch	No. 83 Gaosuntang, Wanzhou District, Chongqing City	Fu Xiangyang
443	Chongqing Fengtian Avenue Securities Branch	No. 122, 123, No. 136, Fengtian Avenue, Shapingba District, Chongqing	Zhang Lin
444	Chengdu Yizhou Avenue Securities Branch	No. 201, 2/F, Unit 1, Block 1, No. 555 Yizhou Avenue Middle Section, Hitech Zone, Chengdu City, China (Sichuan) Pilot Free Trade Zone	Li Shuxue
445	Chengdu North 2nd Huan Road Securities Branch	No.8, North Section 1, 2nd Huan Road, Chengdu City	Fan Jungang
446	Chengdu Chengfei Avenue Securities Branch	2/F, No. 123 Jingyi Road, Chengfei Avenue, Jingyi Road, Qingyang District, Chengdu City	Xu Cheng
447	Chengdu Jianshe Road Securities Branch	No. 9 Jianshe Road, Chenghua District, Chengdu City	Li Yun
448	Chengdu North Kehua Road Securities Branch	No.139, North Kehua Road, Chengdu City, Sichuan Province	Wang Hong
449	Meishan Renshou Guangming Road Securities Branch	No. 389, Section 2 of Guangming Road, Wenlin Town, Renshou County	Liu Xiaobin
450	Leshan Renmin South Road Securities Branch	No. 210, No. 212 Renmin South Road, Shizhong District, Leshan City	Chen Jun
451	Chongqing Yantai Street Securities Branch	Shop 1-6, 1-7, Shizhongxing Complex, Jiangbei Avenue, Bazhong City, Sichuan Province	Lin Hai

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No.	Name	Securities Branches Address	Person In Charge
452	Mianyang Yuejin Road Securities Branch	No. 1-4, 5/F, Unit 3, Block 26, Changhong International, No. 6 Yuejin Road, Fucheng District, Mianyang City	Cao Xi
453	Neijiang Yuxi Road Securities Branch	No. 147, No. 149, No. 151, Yuxi Road, Shizhong District, Neijiang City, Sichuan Province	Lin Hong
454	Chengdu Shuangliu Yingchun Road Securities Branch	No. 66, Section 4 of Yingchun Road, Dongsheng Street, Shuangliu District, Chengdu City, Sichuan Province	Chen Qiang
455	Deyang Kaijiang Road Securities Branch	No. 1-6, Block A, Kaijiangxincheng, No. 336, Section 1, Kaijiang Road, Jingyang District, Deyang City, Sichuan Province	Kuang Yuwei
456	Chengdu Wenjiang Wenhua Road Securities Branch	No. 22, 1/F, Block 15, No. 1 Wenhua Road, Liucheng, Wenjiang District, Chengdu	Wang Wei
457	Chengdu Longquanyi Longdu South Road Securities Branch	No. 1,2 & 3, 2/F, No. 4 Longdu South Road, Longquan Sub-district, Longquanyi District, Chengdu City, Sichuan Province	Zheng Junxia
458	Chengdu Wuyang Avenue Securities Branch	1/F, No. 65 & 67 Wuyang Avenue Section 3, Wuhou District, Chengdu	Hu Ke
459	Guiyang Changling North Road Securities Branch	12, 13, 14 and 15, 20/F, Block 5, Commercial Area, Guiyang International Financial Centre, Northwest corner of Lincheng Road and Changling Road, Guanshanhu District, Guiyang City, Guizhou Province	Shang Chao
460	Guiyang Beijing Road Securities Branch	No. 4, 1st Floor, Xindou Wealth Building, No. 27, Beijing Road, Yunyan District, Guiyang City, Guizhou Province	Cao Jianyuan
461	Zunyi Kunming Road Securities Branch	No. 304, 3/F, No. 10 (Hall A) Weiyi Guoji, Kunming Road, Huichuan District, Zunyi City, Guizhou Province	Wang Jiayong
462	Kunming West Dongfeng Road Securities Branch	9/F, Shunchengdongta Building, 11 West Dongfeng Road, Kunming City, Yunnan Province	Wei Yuhong
463	Kunming Baita Road Securities Branch	Xingyao Building, 393, Baita Road, Kunming City, Yunnan Province	Wang Anyuan
464	Kunming Minhang Road Securities Branch	Unit 7-A, Tower A, Yunnan Chengtou Building, 400 Minhang Road, Guandu District, Kunming City	Qi Wei
465	Yiliang Huayuan Street Securities Branch	2/F, Block 6, Vision City Plaza, Huayuan Street, Yiliang County, Kunming City, Yunnan Province	Shen Yanbin
466	Chuxiong Lucheng South Road Securities Branch	No. 154, Lucheng South Road, Chuxiong, Chuxiong Prefecture, Yunnan Province	Wei Heming
467	Hekou Fuan Road Securities Branch	No. 3, Block 22, Beishan New District, Hekou County, Honghe Prefecture, Yunnan Province	Yang Shuangyi
468	Mojiang Twins Avenue Securities Branch	Shop 4-e, 1/F, Unit 3, Jinyue Garden, Twins Avenue, Moon Plaza, Mojiang County, Pu'er City, Yunnan Province	Lu Rongyi

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No.	Name	Securities Branches Address	Person In Charge
469	Qujing Jiaotong Road Securities Branch	No. 50, Traffic Road, Qilin District, Qujing City, Yunnan Province	Zhong Haochen
470	Xi'an East Youyi Road Securities Branch	No. 51, East Youyi Road, Xi'an City, Shaanxi Province	Huang Yaguang
471	Xi'an Heping Road Securities Branch	Jiateng Building, No. 112, Heping Road, Beilin District, Xi'an City, Shaanxi Province	Wang Juan
472	Baoji Gaoxin Avenue Securities Branch	No. 59, High New Development Zone Avenue, Baoji City, Shaanxi Province	Zhao Liang
473	Yannan Third Road Securities Branch	Room 20101, Unit 2, Block 11, Qu Chi Fang, No. 89 Furong West Road, Qujiang New District, Xian	Li Xudong
474	Weinan Chaoyang Street Securities Branch	No. 2, Chaoyang Street, Linwei District, Weinan City, Shaanxi Province	Zhang Yong
475	Xi'an Jinye Road Securities Branch	Commercial B1-101, Jinye Times Project, No. 32 Jinye Road, High-tech Zone, Xi'an	Gu Geng
476	Lanzhou Qingyang Road Securities Branch	No. 77, Qingyang Road, Chengguan District, Lanzhou, Gansu Province (3&4/F, Bikexin Building)	Zhao Gong
477	Baiyin Hongxing Road Securities Branch	Room 5-01, Block 7, No. 280 Hongxing Road, Baiyin District, Baiyin City, Gansu Province	Li Yanpeng
478	Pingliang East Main Street Securities Branch	No. 24 East Main Street, Kongdong District, Pingliang City, Gansu Province	Hao Qiang
479	Jiuquan Xiuyuan Road Securities Branch	Block 4, North Zone, Xinxin Garden, No. 1 Xiuyuan Road, Suzhou District, Jiuquan City, Gansu Province	Wang Li
480	Xining West Street Securities Branch	4/F, Xingwang Building, No. 30 West Street, Chengzhong District, Xining, Qinghai Province	Tang Haiying
481	Golmud South Kunlun Road Securities Branch	No. 20, South Kunlun Road, Dongcheng District, Golmud, Qinghai Province	Zhang Longlong
482	Xining Changjiang Road Securities Branch	No. 106-26 Changjiang Road, Xining City, Qinghai Province	Feng Qing
483	Xining Xiadu Avenue Securities Branch	No. 220 Xiadu Avenue, Chengdong District, Xining City	Wang Fang
484	Yinchuan Jiefang West Securities Branch	No. 126, West Jiefang Road, Xingqing District, Yinchuan City	Zhao Zhihao
485	Shizuishan Chaoyang West Street Securities Branch	No. 1, Chaoyang West Street, Shizuishan, Ningxia	Chen Guang
486	Wuzhong Wuling West Road Securities Branch	No. 231 & 233 Wuling West Road, Litong District, Wuzhong City, Ningxia	Song Jie

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No.	Name	Securities Branches Address	Person In Charge
487	Zhongwei Gulou East Street Securities Branch	No. 25, 2/F, Block C, National Entrepreneurship City, No. 280 Gulou East Street, Shapotou District, Zhongwei City	Fan Xiaoning
488	Urumqi Jiefang North Road Securities Branch	No. 90&112, North Jiefang Road, Tianshan District, Urumqi City, Xinjiang	Kong Lingguo
489	Changji Securities Branch	No. 38, Yan'an North Road, Changji City, Changji, Xinjiang (Block 12, Qiu 2, District 1)	Jiang Yuliang
490	Hami Securities Branch	No. 1, 1st Floor, Jinglong Building, No. 35, Tianshan North Road, Yizhou District, Hami City, Xinjiang	Zhang Jun
491	Yining City Shandong Road Securities Branch	Room 202, Block 3, Zone D, Yingjian Wutong Lijing, No. 219 Shandong Road, Yining Economic Cooperation Zone, Ili Prefecture, Xinjiang	Liu Junzheng
492	Aksu South Avenue Securities Branch	7/F, No. 2 South Avenue, Aksu City, Aksu Prefecture, Xinjiang	Luo Yi
493	Lhasa Chaoyang Road Securities Branch	No. 2, Chaoyang Road, Taiyang Island, Lhasa City	Ma Zhenhui

APPENDIX II: INFORMATION ON BRANCH OFFICES

No.	Branches	Address	Name of person in charge	Date of incorporation shown on business license	Working capital	Telephone
1	Beijing Branch	5/F, No. 111 Tai Ping Qiao Avenue, Xicheng District, Beijing	Liu Bin	26 July 2011	RMB5 million	010-58872718
2	Shanghai Branch	Room 01, 31st Floor, 99 Fucheng Road, China (Shanghai) Pilot Free Trade Zone	Jiang Yuesheng	29 July 2011	RMB5 million	021-20252657
3	Zhejiang Branch	28th Floor, Building 3, Fanhai International Center, Jianggan District, Hangzhou, Zhejiang Province	Song Xiaojun	15 July 2011	RMB5 million	0571-87043507
4	Ningbo Branch	32-1, No. 30 Anbo Road and No. 8 Jianning Street, Yinzhou District, Ningbo, Zhejiang Province	Teng Kezhi	12 March 2013	RMB5 million	0574-87681167
5	Guangdong Branch	2501, 2502, 2503, 25/F and 2601, 2604, 26/F, Guangzhou Avenue Central, Tianhe District, Guangzhou	Chen Zhihui	22 July 2011	RMB5 million	020-83953833
6	Shenzhen Branch	20th Floor, Zhongzhou Building, No. 3088 Jintian Road, Futian Street, Futian District, Shenzhen	Zhang Qinghua	21 June 2011	RMB5 million	0755-82031998
7	Hunan Branch	No. 275, Section 2, Middle Furong Road, Yuhua District, Changsha	Zou Wenchao	23 August 2011	RMB5 million	0731-85536911
8	Tianjin Branch	Room 601-8, No. 3 Kaihua Road, Huayuan Industry Area, Tianjin	Wang Xiaolin	11 March 2013	RMB5 million	022-83830348
9	Hebei Branch	98 Hongqi Street, West Bridge District, Shijiazhuang	Zhao Yongwei	20 March 2013	RMB5 million	0311-83998683
10	Shanxi Branch	4/F, West Wing, Yingxi Building, No. 53 Yingze West Avenue, Wanbolin District, Taiyuan	Zhao Songlin	14 March 2013	RMB5 million	0351-8611197
11	Inner Mongolia Branch	Huamenshijia, 78 East Xinhua Street, Saihan District, Hohhot, Inner Mongolia	Ren Wei	15 March 2013	RMB5 million	0471-4955414
12	Dalian Branch	B, C & D, 5/F, East Tower, No. 620 Huanghe Road, Shahekou District, Dalian	Guo Qing	13 March 2013	RMB5 million	0411-84313089
13	Liaoning Branch	Unit 17-3, No. 59 Beizhan Road, Shenhe District, Shenyang	Yuan Bin	27 March 2013	RMB5 million	024-23250200
14	Jilin Branch	1161 West Democracy Street, Chaoyang District, Changchun	Yan Xiaomin	19 March 2013	RMB5 million	0431-82707737
15	Heilongjiang Branch	5/F, No. 252 Zhongshan Road, Nangang District, Harbin	Li Naichen	25 March 2013	RMB5 million	0451-53905568
16	Jiangsu Branch	Room 304, 3/F, Fuxin International Building, No. 359 Hongwu Road, Nanjing, Jiangsu Province	Wang Desheng	13 March 2013	RMB5 million	025-84265505
17	Anhui Branch	5/F, Block B, Xinguanghe Building, 7377 Linquan Road, Luyang District, Hefei	Chen Xiaoqi	22 March 2013	RMB5 million	0551-62625593

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No.	Branches	Address	Name of person in charge	Date of incorporation shown on business license	Working capital	Telephone
18	Fujian Branch	No.1 Shop, 2/F, 1st Building, Fuzhou Jiyou Plaza, No. 39 Fuma Road, Shuibu Street, Gulou District, Fuzhou	Huang Feilong	2 April 2013	RMB5 million	0591-83350449
19	Xiamen Branch	West Wing, 2/F, No.18, Meirenxincun, Siming District, Xiamen	Zhou Lianyuan	21 March 2013	RMB5 million	0592-2227159
20	Jiangxi Branch	Room 401-410, 4th floor, Jiangxi Daily News Building, 190 Yangming Road, Donghu District, Nanchang, Jiangxi Province	Jin Zicheng	2 April 2013	RMB5 million	0791-86283972
21	Qingdao Branch	No. 100E, Nanjing Road, Shinan District, Qingdao	Niu Zhikai	15 April 2013	RMB5 million	0532-82962152
22	Shandong Branch	No. 175 Xinanhe Road, Zhifu District, Yantai	Zhang Huasheng	29 March 2013	RMB5 million	0535-6626317
23	Henan Branch	No. 16, 76 Huanghe Road, Jinshui District, Zhengzhou	Wang Junzhao	4 March 2013	RMB5 million	0371-63969218
24	Hubei Branch	Room 1, 2nd Floor, West Podium Building, New Times Business Center, No. 456 Wuyi Road, Wuchang District, Wuhan	Zhang Zhiqiang	12 March 2013	RMB5 million	027-87829771
25	Chongqing Branch	3rd Floor, Building B, 108 Minzu Road, Yuzhong District, Chongqing	Cao Yi	18 March 2013	RMB5 million	023-88128880
26	Sichuan Branch	Room 401, 4/F, 1st Building, No. 9 Jianshe Road, Chenghua District, Chengdu	Zhang Zhiqiang	21 March 2013	RMB5 million	028-84396896
27	Yunnan Branch	9/F, Shuncheng East Tower Building, No.11 Dongfeng West Road, Wuhua District, Kunming, Yunan Province	Wei Yuhong	13 March 2013	RMB5 million	0871-63645475
28	Shaanxi Branch	2/F, Commercial Building of China Railway Group, No. 51 East Youyi Road, Beilin District, Xi'an, Shaanxi Province	Huang Yaguang	24 April 2013	RMB5 million	029-87819538
29	Qinghai Branch	No. 106-26, Changjiang Road, Chengzhong District, Xining	Feng Qing	11 March 2013	RMB5 million	0971-8261669
30	Hainan Branch	No. C408, C409, C410, C411, 4/F, East Building, Block B, Guoruicheng S5, No.11 Guoxing Avenue, Meilan District, Haikou, Hainan Province	Chen Weihong	7 May 2014	RMB5 million	0898-68500696
31	Ningxia Branch	No. 126, Jiefang West Street, Xingqing District, Yinchuan	Zhao Zhihao	29 April 2014	RMB5 million	0951-5051318
32	Xinjiang Branch	No. 90, Jiankang Road, Jiefang North Road, Tianshan District, Urumqi, Xinjiang	Kong Lingguo	15 May 2014	RMB5 million	0991-2333505
33	Guizhou Branch	Unit 12, 13, 14 and 15, 20/F, Building 5, Phase I Business Zone, Guiyang International Finance Center, northwestern corner of Lincheng Road and Changling Road, Guanshan Lake District, Guiyang, Guizhou Province	Shang Chao	22 May 2014	RMB5 million	0851-87973559

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No.	Branches	Address	Name of person in charge	Date of incorporation shown on business license	Working capital	Telephone
34	Gansu Branch	408, 4/F, Bi Ke Xin Building, No. 77 Qingyang Road, Chengguan District, Lanzhou, Gansu Province	Zhao Wei	8 May 2014	RMB5 million	0931-8860651
35	Tibet Branch	No. 32, 4th Floor, Building 2, Taihe International Cultural Plaza, No. 7 Jinzhu Middle Road, Chengguan District, Lhasa	Ma Zhenhui	15 May 2014	RMB5 million	0891-6344051
36	Guangxi Branch	3/F, No. 12-2, Yuanhu South Road, Qingxiu District, Nanning	Huang Jianhua	14 May 2014	RMB5 million	0771-5865105