2018 INTERIM REPORT

中信证券
CITIC SECURITIES

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(STOCK CODE : 6030)

IMPORTANT NOTICE

The Board and the Supervisory Committee of the Company and the Directors, Supervisors and Senior Management warrant the truthfulness, accuracy and completeness of contents of this interim report and that there is no false representation, misleading statement contained herein or material omission from this interim report, for which they will assume joint and several liabilities.

This interim report was approved at the 28th Meeting of the Sixth Session of the Board. All Directors attended the meeting. No Director raised any objection to this interim report.

The 2018 interim financial statements of the Group were unaudited. PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers issued review opinions in accordance with the PRC Accounting Standards for Enterprises and the International Financial Reporting Standards, respectively.

Mr. ZHANG Youjun, head of the Company, Mr. GE Xiaobo, the Chief Financial Officer and Ms. KANG Jiang, head of the Company's accounting department, warrant that the financial statements set out in this interim report are true, accurate and complete.

There was no profit distribution plan or plan of conversion of the capital reserve into the share capital of the Company for the first half of 2018.

Forward looking statements, including future plans and development strategies, contained in this interim report do not constitute a substantive commitment to investors by the Company. Investors should be aware of investment risks.

There was no appropriation of funds of the Company by the related/connected parties for non-operating purposes.

The Company had made no guarantee to external parties in violation of the stipulated decision-making process.

The Company prepared this interim report in both English and Chinese versions. In the event of any discrepancies between the English version and Chinese version of this interim report, the Chinese version shall prevail.

CONTENTS

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this report:

"A Shareholder(s)"	holder(s) of A Shares
"A Share(s)"	the domestic Share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the SSE (stock code: 600030)
"Board"	the board of directors of the Company
"China AMC"	China Asset Management Company Limited (華夏基金管理有限公司)
"CITIC Corporation Limited"	CITIC Corporation Limited (中國中信有限公司)
"CITIC Futures"	CITIC Futures Company Limited (中信期貨有限公司)
"CITIC Global Trade"	CITIC Global Trade (Shanghai) Co., Ltd. (中信寰球商貿 (上海) 有限公司)
"CITIC Group"	CITIC Group Corporation (中國中信集團有限公司)
"CITIC Limited"	CITIC Limited (中國中信股份有限公司)
"CITIC PE Fund"	CITIC Private Equity Funds Management Company Limited (中信產業投資基金管理有限公司)
"CITIC Securities (Shandong)"	CITIC Securities (Shandong) Co., Ltd. (中信証券 (山東) 有限責任公司)
"CITIC Securities Finance MTN"	CITIC Securities Finance MTN Co., Ltd.
"CITIC Securities Investment"	CITIC Securities Investment Limited (中信証券投資有限公司)
"CLSA B.V."	Crédit Agricole Securities Asia B.V., a private limited company incorporated under the laws of the Netherlands and becoming a wholly-owned subsidiary of CSI on 31 July 2013
"CLSA"	the brand name of the offshore business of the Company
"Company" or "CITIC Securities"	CITIC Securities Company Limited (中信証券股份有限公司)
"Company Law"	the Company Law of the People's Republic of China

"connected transaction(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules currently in effect and as amended from time to time
"CSDCC"	China Securities Depository and Clearing Corporation Limited
"CSI"	CITIC Securities International Co., Ltd. (中信証券國際有限公司)
"CSRC"	China Securities Regulatory Commission
"Director(s)"	the director(s) of the Company
"GoldStone Investment"	GoldStone Investment Co., Ltd. (金石投資有限公司)
"GoldStone Zexin"	GoldStone Zexin Investment Management Co., Ltd. (金石澤信投資管理有限公司)
"Group"	the Company and its subsidiaries
"H Share(s)"	the overseas-listed foreign Share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on The Stock Exchange of Hong Kong Limited (stock code: 6030)
"H Shareholder(s)"	holder(s) of H Shares
"HKEx"	Hong Kong Exchanges and Clearing Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Jiantou Zhongxin"	Jiantou Zhongxin Asset Management Co., Ltd. (建投中信資產管理有限責任公司)
"Jindingxin Microfinance"	Qingdao Jindingxin Microfinance Company Limited (青島金鼎信小額貸款股份有限公司)

"Kington Securities"	Kington Securities Limited Liability Company (金通證券有限責任公司)
"New OTC" or "NEEQ"	National Equities Exchange and Quotations
"NSSF"	National Council for Social Security Fund of the PRC
"PRC" or "China"	the People's Republic of China
"Qingdao Blue Ocean Equity Exchange"	Qingdao Blue Ocean Equity Exchange Limited
"related party transaction(s)"	for the purpose of chapter IV "Significant Events" only, has the meaning ascribed to it under the SSE Listing Rules currently in effect and as amended from time to time, unless otherwise stated
"Reporting Period"	the six months ended 30 June 2018
"Securities Law"	the Securities Law of the People's Republic of China
"Senior Management"	the senior management of the Company
"Share(s)"	A Share(s) and H Share(s)
"Shareholder(s)"	holder(s) of the domestic Share(s) or the overseas-listed foreign Share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the SSE and the Hong Kong Stock Exchange, respectively
"SOE"	state-owned enterprise
"SSE"	Shanghai Stock Exchange
"SSE Listing Rules"	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
"Supervisor(s)"	the supervisor(s) of the Company

“Supervisory Committee”	the supervisory committee of the Company
“SZSE”	Shenzhen Stock Exchange
“Wind Info”	Wind Information Co., Ltd.

COMPANY INFORMATION AND MAJOR FINANCIAL INDICATORS

Company Information

Company Name in Chinese	中信証券股份有限公司
Company Abbreviation in Chinese	中信証券
Company Name in English	CITIC Securities Company Limited
Company Abbreviation in English	CITIC Securities Co., Ltd.
Legal Representative of the Company	ZHANG Youjun
President of the Company	YANG Minghui
Authorized Representatives	YANG Minghui, ZHENG Jing

Registered Capital and Net Capital

In RMB Yuan

	As at the end of the Reporting Period (30 June 2018)	As at the end of last year (31 December 2017)
Registered Capital	**12,116,908,400.00**	12,116,908,400.00
Net Capital	**83,604,113,769.37**	86,708,268,168.49

Note: As at the disclosure date of this report, the total number of issued Shares of the Company was 12,116,908,400 Shares, of which 9,838,580,700 Shares were A Shares and 2,278,327,700 Shares were H Shares.

Business Qualifications for Each Individual Business of the Company

The business scope of the Company covers: securities brokerage (for areas other than Shandong Province, Henan Province, Tiantai and Cangnan Counties of Zhejiang Province); securities investment consulting; financial advisory services related to securities trading and securities investment activities; securities underwriting and sponsorship; securities proprietary business; securities asset management; margin financing and securities lending; securities investment fund sales agency; distribution of financial products; and stock options market making business.

In addition, the Company possesses the following business qualifications:

1. Business qualifications approved or certified by the CSRC: online trading; entrusted wealth management; operation of overseas securities investment management business by qualified domestic institutional investors (QDII); direct investment; inter-bank market interest rate swap; stock index futures trading in proprietary business and asset management business; stock repo business; pilot business of stock return swap; treasury

bonds futures trading in proprietary business and securities asset management business; pilot business of agency services for gold and other precious metal spot contracts and proprietary trading for spot gold contracts; custodian business for securities investment funds; and credit risk mitigation instruments selling business.

2. Business qualifications approved by the stock exchange: market maker of stock exchange fixed income platform; warrants trading; stock-pledged repo business; Southbound Trading Link business; financing business with respect to exercising rights under share incentive schemes of listed companies; stock options brokerage; proprietary trading for stock options; and principal market maker in SSE 50 ETF options contracts.

3. Business qualifications approved by Securities Association of China: quoted transfer; underwriting private placement of bonds by small and medium-sized companies; OTC business; engaging in recommended businesses and brokerage business through stock transfer systems; OTC options business; and internet-based securities business.

4. Business qualifications approved by the People's Bank of China: member of the national inter-bank lending market; commercial paper underwriting; market maker in inter-bank bond market; and primary dealer of open market.

5. Other business qualifications: member of book-entry government bond underwriting syndicates; Class A clearing participant of CSDCC; license for operating foreign exchange in securities business (foreign-currency negotiable securities brokerage, foreign-currency negotiable securities underwriting and entrusted foreign-exchange asset management); qualified enterprise annuity fund management institution; qualified member of underwriting syndicate of policy bank; qualified manager of converted shares of the NSSF; qualified NSSF domestic investment manager; entrusted management of insurance funds; qualified securities investment management business for national basic pension insurance fund; pilot refinancing business; sideline insurance agency business; market maker of the New OTC; and the qualifications for consultancy services relating to the secrecy-involved business of the military industry.

Contact Person and Methods

	Secretary to the Board, Company Secretary
Name	ZHENG Jing
Contact Address	CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province (Note: This is a postal address and is in the same building as that of the registered address of the Company. The registered address of the Company corresponds to the name of the building registered with the Shenzhen Real Estate Ownership Registration Centre) CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
Telephone	0086-755-23835383, 0086-10-60836030
Facsimile	0086-755-23835525, 0086-10-60836031
Email	ir@citics.com

Basic Information

During the Reporting Period, there was no change in the basic information of the Company.

Registered Address of the Company	North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province
Postal Code of Registered Address of the Company	518048
Office Address of the Company	CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
Postal Code of Office Address of the Company	518048, 100026
Business Address in Hong Kong	26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Website of the Company	http://www.cs.ecitic.com
Email	ir@citics.com
Telephone	0086-755-23835888, 0086-10-60838888
Facsimile	0086-755-23835861, 0086-10-60836029
Customer Service Hotline for Brokerage and Asset Management Business	95548, 4008895548
Investor Relations Hotline	0086-755-23835383, 0086-10-60836030
United Social Credibility Code	914403001017814402

Changes of Information Disclosure and Availability Places

Newspapers Designated for Information Disclosure by the Company	China Securities Journal, Shanghai Securities News, Securities Times
The Websites designated by the CSRC for the Publication of the Interim Report of the Company	Website designated by the CSRC: http://www.sse.com.cn (website of the SSE) Website designated by the Hong Kong Stock Exchange: http://www.hkexnews.hk (HKEXnews website of HKEx)
Places Where the Interim Report of the Company is Available	16/F, CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province 10/F, CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing 26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Index for the Changes During the Reporting Period	Not applicable

Shares of the Company

Class of shares	Stock exchange of listing	Stock name	Stock code	Stock name before change
A Shares	SSE	CITIC Securities	600030	N/A
H Shares	Hong Kong Stock Exchange	CITIC SEC	6030	N/A

Financial Summary

Key Accounting Data and Financial Indicators

In RMB million

Items	30 June 2018	31 December 2017	Variance in comparison with the end of last year (%)
Total assets	657,724	625,575	5.14
Total liabilities	504,269	472,432	6.74
Equity attributable to owners of the parent	150,049	149,799	0.17
Issued share capital	12,117	12,117	—
Net assets per Share attributable to owners of the parent (yuan/share)	12.38	12.36	0.16
Gearing ratio (%)[Note]	70.90	70.87	Increased by 0.03 percentage point

Items	Six months ended 30 June 2018	Six months ended 30 June 2017	Variance in comparison with the corresponding period of last year (%)
Total revenue and other income	27,449	25,141	9.18
Operating profit	7,009	6,592	6.33
Profit before income tax	7,394	6,836	8.16
Net profit attributable to owners of the parent	5,565	4,927	12.95
Net cash inflow/(outflow) from operating activities	27,558	-22,500	N/A
Basic earnings per Share (yuan/share)	0.46	0.41	12.20
Diluted earnings per Share (yuan/share)	0.46	0.41	12.20
Return on weighted average equity (%)	3.65	3.39	Increased by 0.26 percentage point

Note: Gearing ratio = (total liabilities – customer brokerage deposits)/(total assets – customer brokerage deposits).

Net Capital and Relevant Risk Control Indices of the Parent Company

Items	30 June 2018	31 December 2017
Net capital (RMB million)	**83,604**	86,708
Net assets (RMB million)	**121,922**	123,217
Total risk capital reserves (RMB million)	**53,747**	52,136
Risk coverage ratio (%)	**155.55**	166.31
Capital leverage ratio (%)	**16.62**	16.67
Liquidity coverage ratio (%)	**317.92**	290.32
Net stable funding ratio (%)	**141.92**	122.03
Net capital/net assets (%)	**68.57**	70.37
Net capital/liabilities (%)	**29.53**	29.49
Net assets/liabilities (%)	**43.06**	41.91
Value of proprietary equity securities and derivatives held/net capital (%)	**31.78**	33.23
Value of proprietary non-equity securities and derivatives held/net capital (%)	**172.50**	124.35

Note: The risk control indices for every business of the parent company are in compliance with the relevant requirements of Administrative Measures for the Risk Control Indices of Securities Companies issued by the CSRC.

Operation Discussion and Analysis

The investment banking business of the Group consists of equity financing, bond and asset-backed securitization as well as financial advisory services.

The brokerage business of the Group is mainly engaged in dealing and broking of securities and futures, and distribution of financial products.

The trading business of the Group is primarily engaged in trading and market-making of equity products, fixed income products and derivatives, margin financing and securities lending business, alternative investment and block trading business.

The Group provides asset management services and products to clients in China and globally. The Group is engaged in CAM, TAM, SAM, fund management and other investment accounts management.

The investment business of the Group mainly comprises private equity investment and other businesses.

The Group provides services such as custody and research.

The international business of the Group mainly focuses on the areas such as institutional brokerage, investment banking, fixed income and alternative investment.

Investment Banking

Domestic Equity Financing

Market conditions

In the first half of 2018, the pace of issuance of IPOs and refinancing projects slowed down and the aggregate issue size experienced a relatively large decline. The A-share equity financing size amounted to RMB705,140 million (including private placements for asset transactions) for the first half of 2018, representing a year-on-year decrease of 18.93%, of which, the proceeds from IPOs amounted to RMB93,134 million, representing a year-on-year decrease of 25.81%; and the equity refinancing size amounted to RMB612,006 million, representing a year-on-year decrease of 17.78%.

In the first half of 2018, the market share of the top ten securities companies in A-share equity underwriting (including private placements for asset transactions) amounted to 71.61%, representing a moderate increase as compared to the market share of the top ten securities companies in the first half of 2017. The market share of the top ten securities companies in A-share equity underwriting (for cash) amounted to 71.76%, representing an obvious increase as compared to the market share of the top ten securities companies in the first half of 2017.

Actions and achievements

In the first half of 2018, the Company enhanced the coverage of leading enterprises in key industries. On top of consolidating the client base in traditional industries, it seized the business opportunities arising from the new round of SOE reform on major SOE clients. Meanwhile, it intensely developed the market of emerging industries and reached out to corporate clients representing the new direction of economic growth, so as to actively establish the project pipelines. The Company continued to implement the business strategy of "full-product coverage" and strived to enhance its overall competitive edge.

In the first half of 2018, the Company completed a total of 36 A-share lead underwriting projects with an aggregate lead underwriting amount of RMB91,215 million (including private placements for asset transactions), accounting for a market share of 12.94%, ranking the first in the market both in terms of the lead underwriting amount and the number of lead underwriting projects. Among them, 7 were IPO projects, with an aggregate lead underwriting amount of RMB7,950 million; 29 were re-financing issuances projects, with a total lead underwriting amount of RMB83,265 million.

	First half of 2018		First half of 2017	
Projects	**Lead underwriting amount *(RMB million)***	**Number of issuances**	Lead underwriting amount *(RMB million)*	Number of issuances
IPOs	**7,950.27**	**7**	7,660.30	13
Re-financing issuances	**83,265.23**	**29**	120,078.70	29
Total	**91,215.50**	**36**	127,739.00	42

Source: Wind Info and the Company's internal statistics

Note: ① When compiling the above table, the date of completion of an IPO, a public issuance of additional shares, an issuance of convertible bonds/exchangeable bonds, a private placement, an issuance of preference shares and a rights issue is determined on the listing date.

② In the event that the amount undertaken by the underwriter is not specified, underwriting amount of joint-lead underwriting projects is calculated by dividing total project size by the number of lead underwriters.

Outlook for the second half of 2018

In the second half of 2018, the Company will continue to implement the client-centered "full-product coverage" business strategy, constantly enhance the coverage of leading corporate clients in key industries, major regional clients and clients engaging in strategic and emerging industries. It will steadily promote the business development of innovative products, understand the diverse needs of customers in depth and leverage the strengths in providing comprehensive services locally and abroad, so as to achieve business synergy and maintain competitiveness and influence in the industry.

Domestic debt and asset-backed securitization

Market conditions

In the first half of 2018, the financial strict supervision continued to advance. Meanwhile, the dual-column structure of "monetary policy + macro prudence" has been established. Under the circumstances that de-leveraging is effective, monetary policy has been fine-tuned and the central bank has maintained a loose status of liquidity, with a stable base fund price. In January 2018, various regulatory policies were intensively introduced and bond yields rose sharply. Between the period subsequent to Spring Festival to mid-April in 2018, driven by the loosening of funds, change in the international trading environment and the RRR cut by the Central Bank, the bond market yield ratios have fallen sharply. Since late April 2018, the market has entered a consolidation period of almost two months with many factors interweaved in the market and the yield ratio remained fluctuating in a narrow range. Overall, in the first half of 2018, the yield ratio of treasury bonds fell 40–80bp, the yield of AAA-rating short to medium term notes fell 35–90bp. The decline of yield ratio for short term investments is larger than that for long term ones, and the curve showed a steepening trend.

In the first half of 2018, the financing size of the domestic bond market increased as a whole. The aggregate issuance size of bonds (excluding interbank certificates of deposit) amounted to RMB9.64 trillion, representing a year-on-year increase of 12.88%. The aggregate issuance size of debenture bonds (net of treasury bonds, policy bank financial bonds and local government bonds) amounted to RMB4.72 trillion, representing a year-on-year increase of 31.48%. The ABS traded on stock exchanges increased by 20.51% year-on-year, which was mainly due to the growth of ABS in real estate and supply chain finance.

Actions and achievements

In the first half of 2018, the Company undertook a total of 409 lead underwriting projects relating to different debenture bonds, with a lead underwriting amount of RMB262,435 million, representing 4.65% of the market share, and ranked the first in the industry in terms of both the underwriting amount and the number of underwriting projects. The Company had a full pipeline for projects, maintaining its leading position in the bond underwriting market. As the sector leader in asset-backed securitization business, it has apparent advantages in niche markets such as personal automobile pledged loans securitization, consumer credit securitization etc.

	First half of 2018		First half of 2017	
Projects	**Lead underwriting amount *(RMB million)***	**Number of issuances**	Lead underwriting amount *(RMB million)*	Number of issuances
Enterprise bonds	**23,315**	**18**	14,297	10
Corporate bonds	**56,459**	**69**	8,175	16
Financial bonds	**68,579**	**31**	91,416	30
Medium-term notes	**18,629**	**25**	16,373	24
Commercial papers	**3,610**	**8**	3,800	5
Asset-backed securities	**80,486**	**145**	56,591	109
Convertible bonds/exchangeable bonds	**6,137**	**3**	9,000	2
Local government bonds	**5,220**	**110**	2,801	25
Total	**262,435**	**409**	202,453	221

Source: Wind Info and the Company's internal statistics

Outlook for the second half of 2018

In the second half of 2018, the Company will continue to increase its inputs in underwriting direct debt financing business, enhance geographical coverage and internal synergy, capitalize its overall business advantages, provide clients with comprehensive and integrated debt financing services, consolidate and enhance the competitive edge for traditional bond underwriting business, focus on exploring business opportunities with local SOEs and high quality private enterprises; seize the opportunity of asset revitalization, focus on corporate asset-backed securitization business; strengthen project risk management to effectively control operational risks, credit risks and issuance risks.

Besides, with the further opening up of the domestic financial market and domestic enterprises' adoption of globalization strategies, financing opportunities including panda bonds and overseas USD-denominated bonds will gradually increase. The Company will further integrate its domestic and foreign client resources to explore cross-border business opportunities, and enhance its diversified full-product coverage for clients, both domestically and internationally.

Financial Advisory Services

Market conditions

According to the Dealogic statistics, the total value of global merger and acquisition transactions announced in the first half of 2018 reached USD2.49 trillion and the number of announced transactions amounted to 17,618. On a sector basis, the medical health sector was the most active with the value of merger and acquisition transactions amounted to USD359.8 billion, which accounted for 14.45% of the total value of merger and acquisition transactions announced; followed by communication and computer sectors, with transaction amounts of USD341.7 billion and USD336.1 billion, accounting for 13.72% and 13.49% of the amount of merger and acquisition transactions announced, respectively.

According to the Dealogic statistics, as at 30 June 2018, the number of the announced merger and acquisition transactions involving Chinese enterprises was 2,738, involving transaction size of approximately USD333.586 billion, of which, 457 were cross-border transactions, involving a total transaction size of approximately USD77.978 billion.

Actions and achievements

In the first half of 2018, the Company effectively grasped the market hot spots, further deepened the layout of listed company (especially state-owned listed companies) and participated in many complex merger and acquisition transactions with great market influence and innovation. Meanwhile, the Company entered merger and acquisition business of the new economy, further exploring new business profit model and enhancing the market influence in the merger and acquisition field.

In the first half of 2018, the size of A-share material assets restructuring transactions completed by the Company amounted to approximately RMB22.4 billion and ranked the third in the industry with a market share of 8.16%. The Company completed various restructuring transactions, including the restructuring of material assets of Dongfang Electric Corporation Limited (東方電氣股份有限公司) and China Shipbuilding Industry Company Limited (中國船舶重工股份有限公司), all of which were highly influential, innovative and demonstrative restructuring transactions that further enhanced the market influence of the Company.

In the first half of 2018, the Company ranked the second among Chinese brokers in the world in terms of the transaction amount of the announced merger and acquisition transactions involving Chinese enterprises. Under the guidance of the Belt and Road initiative, the Company actively pushed forward the realization of fast accumulation and growth of domestic companies by cross-border merger and acquisition. The Company assisted Sinocare Inc. (三諾生物傳感股份有限公司) to complete the acquisition of 100% equity interest in Changsha Sinocare Health Management Co., Ltd. (長沙三諾健康管理有限公司) through consideration issue, successfully merged overseas PTS company (Polymer Technology Systems, Inc.) into A-share listed company by absorption.

Outlook for the second half of 2018

In the second half of 2018, the Company will continue exploring opportunities for domestic mergers and acquisitions, and actively formulate plans in relation to the mixed ownership reform of SOEs, state-owned assets securitization, supply-side reform, market-oriented mergers and acquisitions, cross-border mergers and acquisitions. It will provide clients with comprehensive and integrated solutions to support the development of the real economy by developing a more thorough understanding of clients' needs and industry trend.

In the meanwhile, the Company will leverage its global network and capital resources, and continue to advance the development of overseas merger and acquisition business, focusing on business opportunities of cross-border industry mergers and acquisitions globally, especially countries along the Belt and Road initiative. It will foster closer cooperation between domestic and overseas entities to provide comprehensive financing services to cross-border businesses of clients.

The Business of New OTC Market

Market conditions

As at the end of June 2018, the number of companies listed on the New OTC Market amounted to 11,243, with total issued shares of 659,022 million shares and a total market capitalization of RMB3,877,369 million. In the first half of 2018, the total trading volume of the New OTC Market amounted to RMB50,790 million, and the total funds raised from the issuance of shares amounted to RMB35,792 million. As at the end of the Reporting Period, the NEEQ component index closed at 1,018.91, representing a decrease of 20.11% compared to the end of 2017; the NEEQ market-making component index closed at 845.91, representing a decrease of 14.87% as compared to the end of 2017.

Actions and achievements

In the first half of 2018, the New OTC Market business of the Company continued to focus on value realization and actualization. On one hand, it made active adjustments to the unfavorable market environment, optimized the portfolio positions for market making and enhanced the coverage of enterprises which sought for IPO listings and mergers and acquisitions. On the other hand, it placed great emphasis on quality control, scaled down the listing sponsor business and effectively controlled business risks.

As at 30 June 2018, as the sponsorship broker, the Company conducted continuous supervision over a total of 35 listed enterprises, rated as the first level in the evaluation of practice quality of sponsorship brokers for listed companies in 2017. In the first half of 2018, the Company provided market-making services for 160 listed companies, among which, 99 companies entered the innovative layer.

Outlook for the second half of 2018

In the second half of 2018, the Company will continue to improve the business management system and market development system with value realization and actualization as the core, to drive the development of other relevant business and provide quality integrated services in the New OTC Market. It will select high quality enterprises, and deepen the exploration of enterprise value, in order to create good returns.

Brokerage Business (Onshore, Same for the Relevant Business below; Offshore Business Set out Separately)

Market Conditions

In the first half of 2018, affected by factors such as liquidity and international trade, the retracement of domestic secondary market exceeded expectation, with SSE Composite Index declined by 13.9%, SSE SME Composite declined by 14.26% and ChiNext Index dropped by 8.33%. The overall trading declined as compared to 2017.

Actions and Achievements

In the first half of 2018, the brokerage business of the Group implemented the client-oriented operation strategy and pushed forward the institutional business, wealth management business and individual business. It enhanced branch management and optimized customer exploration service process to expand client base. As at the end of the Reporting Period, the number of retail customers of the brokerage business of the Group totaled close to 8 million and the number of general legal person clients reached 34,000 and customer asset under custody totaled RMB4.8 trillion.

The brokerage business built a brand of investment research service — CITICS Investment Advisor (信投顧), with its WeChat official service account continuously ranked as the top in the industry by external agencies. It was gradually established as the largest, most comprehensive and professional mix of financial products, with the scale and revenue of agency sale of financial products continued to maintain market leadership. Trading and asset allocation service capability was upgraded, with the aim of transforming towards wealth management.

In the first half of 2018, the brokerage business of the Group continued to maintain a leading position in the industry, with a market share of 6% in terms of trading volume of equity funds (excluding trading volume of exchange-traded monetary funds). The number of investment consultants increased by 16% as compared to the end of 2017, with staff's professional level quickly upgraded.

Outlook for the Second Half of 2018

In the second half of 2018, the brokerage business of the Group will consistently implement the development strategy of "adopting the trading-based approach, enhancing comprehensive service capabilities and transforming towards wealth management". The Group's branches will serve as the regional platform for all businesses of the Company. They will focus on upgrading customer base, market position, regional competitiveness and staff quality, while devoting efforts in both investment service for trading clients and asset allocation services for wealth management clients. It will pursue asset enhancement for clients and boost the overall competitiveness of the brokerage business.

Trading

Market Conditions

In the first half of 2018, the SSE Composite Index of A-share companies declined by 13.9% and the SZSE Component Index decreased by 15.04%, with an overall trend of moving downward and structure differentiation. Except for the short-term rise in January 2018, the subsequent five months were generally in a continuous downward trend, and there was little sustained rebound. Among them, the consumer and pharmaceutical sectors have demonstrated a certain defensive value, with relatively better performance. Cyclical and financial sectors were affected by the anticipation of the change of the international trade environment, macroeconomic slowdown and credit tightening, with the adjustment being more obvious. However, in overall, macroeconomic resilience is strong, the regulatory response measures are introduced timely, and the market risks are relatively controllable. The guidance of the regulatory authorities and the changes in the structure of investors have driven gradually the investment style of A-shares into the direction of a mature capital market.

Actions and Achievements

Flow-based business

For the equity derivatives business, the Company provided its institutional clients with derivatives services such as OTC options quotation transactions, total return swaps and cross-border return swaps, solving clients' needs for risk management, global asset allocation and strategic investment and others; provided corporate clients and retail clients with launched OTC products such as floating return-linked beneficiary certificates and structured products to meet clients' needs for wealth management and large-scale asset allocation; provided liquidity market-making services for fund products and Exchange-traded options products. In the first half of 2018, OTC derivatives business of the Company continued to develop, with OTC products further enriched the linked target and revenue structure. The market-making business developed in the direction of multiple products and diversification and the SSE 50 ETF options market-making continued to rank at the forefront of the market. A business model with an extensive client base, a rich supply of products, and relatively stable yields in general has been formed.

In respect of the fixed income business, the Company made good use of its customer resources and enhanced its customer service comprehensive capabilities. In the first half of 2018, the Company ranked the first in the industry in terms of the total sales of interest rate products. Through strengthening cooperation among various business segments, enriching transaction categories, it covered various fixed income products, market and clients. It devoted more efforts in bond and derivative market-making and was awarded "Bond Connect Outstanding Domestic Quotation Agency", ranking the first in terms of trading volume in Bond Connect. The Company improved market and credit research and enhanced its ability of risk management. Moreover, the Company actively promoted the investment advisory services for financial institutions such as joint-stock banks and urban commercial banks, and its investment advisory business steadily developed.

In respect of the commodities business, the Company continued to follow the principle of "financial institution serving the real economy". Leveraging the in-depth development of real industry through spot trading business and the enhancement of capabilities in spot market-making and supply chain service, it provided customized services to upstream, midstream and downstream clients in the industry. As to the derivatives business, the Company continued to conduct the trading business targeting onshore and offshore corporate and institutional investors, and strengthened the profitability and client coverage of commodities swap and commodities OTC option businesses. This initially formed a business model where spot trading, derivative trading, quotation and market-making businesses supported each other. Through which, the Company is expected to further offer customized and professional financial services related to commodities to a wide range of domestic and foreign industry and corporate clients.

In respect of the prime brokerage business, in the first half of 2018, we actively responded to abnormal market stock price fluctuations, optimized customer structure, and continued to provide professional margin financing and securities lending services to customers. By adhering to the principle of prudent development, the Group steadily carried out the margin financing and securities lending business premised on ensuring measurable, controllable and tolerable risks. As at the end of the Reporting Period, the size of the Group's margin financing and securities lending business was approximately RMB64,722 million, accounting for 7.04% of the aggregate business size in the whole market and ranking the first in the industry, of which, the size of margin financing business and securities lending business was RMB64,257 million and RMB465 million, respectively.

Item	Company	30 June 2018	31 December 2017
Balance of margin financing and securities lending (*RMB million*)	CITIC Securities	**59,799**	65,046
	CITIC Securities (Shandong)	**4,923**	5,929
	Total	**64,722**	70,975

Source: Wind Info and the Company's internal statistics

Proprietary trading

In the first half of 2018, according to market changes, the stock proprietary business of the Company strengthened position management, strictly managed market risks, and controlled the risks brought by market fluctuations to a lower level. Research system construction and fundamental research were strengthened, and exploration of the multi-strategy proprietary model continued.

In the first half of 2018, alternative investment business of the Company actively responded to market changes. Based on macro analysis and judgment, with quantitative trading as the core, we flexibly used various financial instruments and derivatives for risk management, developed multi-market diversified investment strategies, effectively diversified investment risks, enriched sources of income, and overcame the adverse effects brought by the market decline. The use of the latest technology of artificial intelligence/machine learning in strategy development has achieved results. Currently, the businesses or strategies we have commenced include: stock index arbitrage, long/short equity, macroeconomic hedging, block trading, statistical arbitrage, fundamental quantification, convertible arbitrage, commodity strategy, options strategies, portfolio hedge fund investment and global multi-strategy funds.

Outlook for the Second Half of 2018

For the equity derivatives business, the Company will adhere to the vision and business position of "becoming the major equity solution suppliers in the corporate customer market, becoming the major trader (market maker) for OTC derivatives in the institutional customer market and becoming the major market maker for exchange-based derivatives in the retail customer market" , continue to improve capabilities in products supply and risk management, and continue to strengthen OTC derivatives business as well as step up efforts in developing new products and structures, and improve the capability in integrated equity management. We will continue to promote cross-selling with clients' departments, strengthen the coverage of professional investors, with meeting clients' needs as our core values, so as to enhance capabilities in offering comprehensive financial service.

The fixed income business will further improve the specialized division of labor and business collaboration, promote market-making for bond and derivative trading, enrich the portfolio of fixed income products and strengthen liquidity management and bond credit research.

In respect of prime brokerage business, the Company will further establish a more complete grading system, to reduce the return collection risk and to provide service to high quality clients. The Company will further improve the management system of risk and compliance for its margin financing and securities lending business, optimize the structure of fund sources and improve the active fund management mechanism; and further refine and differentiate services through multiple products portfolio and optimizing services.

The Company will continue to actively manage risks, prudently allocating capital, strengthen position management and under the condition that market risks are released, proactively capture market opportunities, steadily enhance the trading returns for its stock proprietary business. The Company will actively implement the advance of centralized trading rooms.

Alternative investment business will increase investment in artificial intelligence/machine learning, further research and develop new strategies, build up a more efficient trading system, capture investment opportunities emerging in various markets, in order to steadily increase investment yields.

Asset Management

Market Conditions

On 27 April 2018, with the consent of the State Council, the People's Bank of China, the China Banking and Insurance Regulatory Commission, the CSRC and the State Administration of Foreign Exchange jointly issued the Guiding Opinions on Regulating the Asset Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》) (the "New Regulations on Asset Management"). The New Regulations on Asset Management expressly stated that the asset management industry shall adhere to the principal goal of serving the real economy, strive to meet the investment and financing needs of the real economy, and actively facilitate the deleveraging, nesting elimination, rigid payment elimination and liquidity pool regulation of asset management business. In the future, the core business model of the asset management industry will swiftly shift from regulatory interest arbitrage and interest rate arbitrage to assets management and risk-based pricing amidst immense pressure for transformation. At the same time, asset management institutions will face more intense competition, which requires them to give greater prominence to their respective strengths and reshape their core competitiveness.

Actions and Achievements

Asset management business of the Company

In the first half of 2018, the Company continued to adhere to the development path of "serving both institutional and retail clients", strengthened investment research and development, expanded the customer base and market, improved product services and enhanced the management level.

As at the end of Reporting Period, the AUM of asset management business of the Company was RMB1,533,800 million with a market share of 10.30%, and the assets under active management amounted to RMB583,200 million, both ranking the first in the market. The size of CAM, TAM (including corporate annuities and NSSF) and SAM were RMB152,929 million, RMB1,379,327 million and RMB1,543 million, respectively.

	AUM *(RMB million)*		**Management fees *(RMB million)***	
Type	**30 June 2018**	31 December 2017	**For the first half of 2018**	For the first half of 2017
CAM	**152,929**	161,332	**284.26**	253.08
TAM	**1,379,327**	1,504,140	**669.98**	746.02
SAM	**1,543**	1,862	**9.63**	12.58
Total	**1,533,800**	1,667,335	**963.87**	1,011.68

Source: Asset Management Association of China and the Company's internal statistics

Note: ① The CAM excluded the pension collection products and the SAM excluded the asset securitization products.

② The statistics of AUM were based on the statistical caliber of Asset Management Association of China, of which, the small difference between the figure listed under "Total AUM" and the aggregation of respective figures listed under "CAM", "TAM" and "SAM" above was due to rounding.

China AMC

During the Reporting Period, China AMC grasped market opportunities and optimized the product mix. It promoted the sales of public funds, achieved the healthy development of institutional business, continuously expanded international business and upgraded risk prevention capabilities. All initiatives were carried out smoothly and the overall AUM increased further.

As at the end of Reporting Period, the AUM of China AMC was RMB906,032 million, of which, the AUM of public funds reached RMB457,192 million and the AUM of non-monetary public-offered funds (excluding short-term wealth management products) ranked the second in the industry; the AUM of institutional business reached RMB448,840 million (excluding investment consultancy business, etc.), maintaining a leading position in the industry.

Outlook for the Second Half of 2018

In the second half of 2018, the asset management business of the Company will adapt to the policy direction and adhere to its principal goal of serving the real economy and give full play to its role in asset management business, so as to meet the investment and financing needs in the real economy and promote the sustainable development of asset management on a net worth basis. In addition, it will seize opportunities and overcome challenges in the new market environment by strengthening assets allocation and investment trading, expanding product mix, pushing forward innovation of business models, optimizing the establishment of the information system and upgrading comprehensive service capabilities. Capitalizing on the strengths of its platform, it will offer comprehensive and integrated asset management solutions to clients.

In the second half of 2018, China AMC will continue to improve the investment research framework and strengthen investment research capabilities. It will enhance risk prevention and control measures, seize strategic opportunities in the market, optimize the product mix, devote more effort in products sales, promote geriatric business, pursue better operation management on an ongoing basis and advance the business model to maintain overall competitiveness in the industry.

Custody

Market Conditions

The Company strengthened the prevention of financial risks continuously during the first half of 2018. The promulgation of the New Regulations on Asset Management had profound implications for the domestic asset management industry. As the market undergoing an adjustment period, the growth of assets management products in terms of number and offering size slowed down, which was accompanied by remarkably diverging development in the industry. Asset management institutions with sound operations and capabilities in active management were more sought after by investors, while institutions primarily engaging in traditional channel business strived to achieve business transformation.

Actions and Achievements

During the first half of 2018, the main focus of the custody business of the Company was the ongoing improvement of client satisfaction. By strengthening the customer service team, optimizing the service model, upgrading the online service platform and actively expanding to innovative services, the Company secured steady growth of asset custody and fund services in terms of market share. As of the end of the Reporting Period, the Company offered asset custody services to a total of 4,187 securities investment funds and assets management schemes, as well as valuation assessment and registration services to a total of 4,402 private equity funds.

Outlook for the Second Half of 2018

The asset management industry will strive to meet the requirements under the New Regulations on Asset Management as its major task in the second half of 2018. Regulatory-led growth will facilitate the development of real core competitiveness and widen the gap in the industry. Asset custodian institutions and fund service providers will undertake the responsibility to supervise the performance of fiduciary duties by asset management institutions, thereby garnering wider market recognition for their crucial role in promoting development.

Investment

Market Conditions

The policy implication of the New Regulations on Asset Management and market impact of tightening liquidity resulted in the significant decrease in the size of fund raising. Available statistics of Zero2IPO Group indicated that:

During the first half of 2018, there were 1,881 investment projects in the PRC private equity investment market, representing an increase of 17.5% as compared to the first half of 2017. The total investment volume declined to RMB454.554 billion. Due to increasing difficulties in fundraising as well as overvaluation, investment extended to early-stage investment.

In the first half of 2018, a total of 1,021 private equity investment funds completed fundraising in the PRC PE market, representing a year-on-year decrease of 8.8%. An aggregate of RMB296.734 billion was raised through 978 funds who disclosed their proceeds. The amount of proceeds decreased significantly compared to the first half of 2017.

In the face of the New Regulations on Asset Management, tightened IPO approval procedure, overvaluation of the primary market and insufficient high quality projects, the growth of the private equity investment market will slow down in the second half of 2018.

Actions and Achievements

CITIC Securities Investment

Pursuant to the Management Regulations on Subsidiaries for Alternative Investments of Securities Companies promulgated on 30 December 2016 by Securities Association of China, alternative investment businesses other than proprietary trading of the Company shall be fully conducted by CITIC Securities Investment, a wholly-owned subsidiary of the Company, including direct proprietary capital investment previously operated by GoldStone Investment. At present, CITIC Securities Investment has formed six major industry categories, including TMT, consumption upgrading, advanced manufacturing, healthcare, financial, environmental protection and logistics, and integrated finance, with investment projects relating to a wide range of domestic and international businesses. As the platform for equity investment with proprietary funds, CITIC Securities Investment actively participates in key aspects of national strategies, such as the development of innovative business, mixed ownership reform of SOEs and debt-to-equity swaps, with the aim of meeting the state's requirements and supporting the development of real economy with financial services.

GoldStone Investment

As at 30 June 2018, being a private equity investment fund management platform company, GoldStone Investment managed 20 funds with a size of over RMB30.0 billion. During the first half of 2018, external investment of GoldStone Investment increased by over RMB1.5 billion.

Outlook for the Second Half of 2018

In the second half of 2018, CITIC Securities Investment will follow the national development strategy and closely monitor innovative sectors represented by the integrated circuit, artificial intelligence, high-end equipment and biomedical industries. It will enhance investment management in terms of system, personnel, management and the development of information system. At the same time, it will provide strong support to innovative enterprises and push forward the structural reform of SOEs through mixed ownership reform of SOEs, debt-to-equity swaps and deleveraging.

In the second half of 2018, GoldStone Investment will foster stronger cooperation with major central enterprises, local SOEs and governments for fundraising, and put more efforts on funds that are under negotiation. In regard to investment, it will conduct thorough industry studies to identify meaningful targets, with a focus on high-tech, healthcare and big consumption.

Research Business

In the first half of 2018, based on market needs and customers' demands, the Company recruited talents from market and campus for its research business. At present, there are totally 34 professional research teams which cover all research areas. In the first half of 2018, the Company issued a total of 3,350 research reports, provided 5,988 roadshow services for clients. Besides, the department has also organized 25 large- and medium-sized investor forums, including the "Quest for Technological Power in China", the "High-end Wealth Management Forum", the "2018 Healthcare Conference cum 7th China Healthcare Investment and Merger CEO Summit" and the "2018 CITIC Securities Capital Market Forum". The Company served a total of over 6,000 clients.

In addition, the research department of the Company actively promoted the depth and breadth of cooperation with CLSA, strengthened overseas research services to speed up the progress of research internationalization, and enhanced the branding of the Company's research business and its influence overseas. In the first half of 2018, the Company provided a total of nearly a thousand reports in English to overseas institutional investors, more than 150 road shows to global institutional investors. In the first half of 2018, it organized the CES research in the USA and the study on the electronics and technology industry in Taiwan for major domestic institutional clients.

In the second half of 2018, the research department of the Company will strive to increase its influence. The department will continue to promote synergy and cooperation with CLSA, enhance the level of overseas research service while strengthening support for and cooperation with the Company's other businesses.

International Business

During the first half of 2018, most economies in the Asia Pacific region have remained fundamentally resilient, although there are some recent signs of slowing down amid various geopolitical turmoil such as concerns about debts in some countries, the prospect for escalations in the rhetoric around trade negotiation, and the influence of rising U.S. interest rates and a strengthening U.S. dollar, etc. These have placed pressure of varying degrees on the equity and debt markets, although their negative impacts might have been mitigated somehow by positive developments such as most economies in the region continue to be on a reasonably healthy footing so far, corporate earnings expectations for most countries have remained in an upgrade cycle, and the inclusion of China A-shares in the MSCI indices during the period.

The change of the international trade environment made the markets become more jittery and unpredictable. While these may boost punting interests or trading volumes in the near term, it may harm investors' confidence if the underlying uncertainty persists.

Under such a mixed backdrop, the Company continued to develop its international franchise through its flagship CLSA. The Company prides CLSA as one of the key players in the Asia Pacific capital markets in providing insights, identifying liquidity and finding capital for our clients. CLSA is headquartered in Hong Kong and operates in Asia, Australia, Europe and the United States through offices in 20 locations with nearly 2,000 professionals, and businesses spanning across all corners of the capital markets including equities, fixed income, corporate finance, asset management, alternative investments and wealth management. With execution capabilities in 15 stock exchanges, CLSA's global sales platform serves more than 2,000 institutional clients through more than 40,000 client contact points.

After completing the integration and reorganisation phases, the initial two of CLSA's four phase business transformation process in last year, during 2018 focuses have been shifted to the investment and diversification phases. These involve ongoing developments and upgrades of its teams, systems and processes underlying business segments such as corporate finance, fixed income and asset management which have been identified as increasingly important within CLSA's overall business profile. These are expected to contribute to continual diversification of its business mix and sources of income.

In terms of investment banking and brokerage business, whilst CLSA already has one of the most extensive network and operations in various destinations along the routes of the Belt and Road Initiative ("BRI") being promoted by China, it also aspires to expand into further BRI related locations including Vietnam, Bangladesh, Pakistan and the Middle East, which should complement its existing network and further strengthen its position as a leading Asia Pacific focused capital market participant. Although regional economies and markets may have been temporarily disillusioned by the recent swirl winds of geopolitical developments around the world, it's expected that in the longer run a rebalancing of world economies will continue to gravitate more towards the Asia Pacific region, and the Company should stand to benefit from the seeds it has been sowing lately.

Financial Statement Analysis

Profitability Analysis of the Company for the Reporting Period

For the first half of 2018, the total revenue and other income realized by the Group was RMB27,449 million, representing a year-on-year increase of 9.18%, of which the revenue from the brokerage business amounted to RMB6,805 million, representing a year-on-year increase of 0.67%; the revenue realized by the asset management business increased by 8.53% year-on-year to RMB3,779 million; the revenue realized by the securities trading business increased by 33.75% year-on-year to RMB10,066 million; the revenue realized by the investment banking business decreased by 20.11% year-on-year to RMB1,613 million; the revenue realized by other businesses decreased by 3.14% year-on-year to RMB5,186 million. For the first half of 2018, operating expenses of the Group amounted to RMB20,440 million, representing a year-on-year increase of 10.20%.

For the first half of 2018, the Group's net profit attributable to owners of the parent increased by 12.95% year-on-year to RMB5,565 million; basic earnings per share increased by 12.20% year-on-year to RMB0.46; and return on weighted average equity was 3.65%, increased by 0.26 percentage point year-on-year.

Assets Structure and Assets Quality

As at 30 June 2018, the Group's equity attributable to owners of the parent amounted to RMB150,049 million, representing an increase of RMB250 million or 0.17% as compared to the end of 2017.

As at 30 June 2018, the total assets of the Group amounted to RMB657,724 million, representing an increase of RMB32,149 million or 5.14% as compared to the end of the previous year; excluding customer brokerage deposits, the total assets of the Group amounted to RMB527,372 million, representing an increase of RMB1,652 million or 0.31% as compared to the end of the previous year. As at 30 June 2018, the total liabilities of the Group amounted to RMB504,269 million, representing an increase of RMB31,837 million or 6.74% as compared to the end of the previous year; excluding customer brokerage deposits, the total liabilities of the Group amounted to RMB373,917 million, representing an increase of RMB1,340 million or 0.36% as compared to the end of the previous year. During the Reporting Period, the Group made corresponding provisions for impairment losses in respect of assets with indications of impairment.

The structure of assets and liabilities was stable. As at 30 June 2018, the total assets of the Group excluding customer brokerage deposits amounted to RMB527,372 million, among which investment assets mainly included investments in associates/joint ventures and financial assets, accounting for 50.35% of the total assets; margin accounts and reverse repurchase agreements, accounting for 28.20% of the total assets; cash and bank balances, accounting for 8.84% of the total assets; and fixed assets, construction in progress, land-use rights and intangible assets, and investment properties, in aggregate, accounting for 2.33% of the total assets.

As at 30 June 2018, excluding customer brokerage deposits, the Group's total liabilities amounted to RMB373,917 million, among which repurchase agreements amounted to RMB99,790 million, accounting for 26.69% of the total liabilities; debt instruments issued and long-term loans were RMB97,332 million, accounting for 26.03% of the total liabilities; short-term loans, due to banks and other financial institutions, short-term financing instruments payable and non-current liabilities due within one year amounted to RMB57,893 million, accounting for 15.48% of the total liabilities; financial liabilities measured at fair value through profit or loss and derivative financial liabilities were RMB57,207 million, accounting for 15.30% of the total liabilities; and other liabilities amounted to RMB61,695 million in aggregate, accounting for 16.50% of the total liabilities.

The gearing ratio increased slightly. As at 30 June 2018, excluding customer brokerage deposits, the gearing ratio of the Group was 70.90%, increased by 0.03 percentage point as compared to the same period of the previous year.

Cash Flow Status

Excluding customer brokerage deposits, the Group's net increase in cash and cash equivalents was RMB11,541 million in the first half of 2018, as compared to RMB6,147 million for the same period in 2017, which was mainly due to an increase in the net inflow of cash generated from operating activities.

From a structural perspective, during the first half of 2018, the Group's net cash inflow from operating activities was RMB27,558 million, as compared to a net outflow of RMB22,500 million for the same period in 2017, which was mainly attributable to year-on-year increase in net cash inflow from repurchase agreements and customer brokerage deposits.

Net cash outflow from investing activities in the first half of 2018 was RMB8,186 million, as compared to a net inflow of RMB6,452 million for the same period in 2017, which was mainly attributable to the year-on-year increase of the net outflow of debt instruments investment.

Net cash outflow from financing activities in the first half of 2018 was RMB7,831 million, as compared to a net inflow of RMB22,195 million for the same period in 2017, which was mainly attributable to the year-on-year decrease in the issuance of bonds and structured notes during the Reporting Period.

Explanation of Change in Scope of Financial Statements Consolidation

During the Reporting Period, the number of structured entities which were included in the consolidation of the first-level financial statements decreased from 6 to 5. The number of first-level units included in the consolidation of the Company's financial statements changed to 22.

Changes in Major Accounting Policies and Accounting Estimates

The initial implementation date of the new financial instrument standards is 1 January 2018. Such changes constituted changes in accounting policies. The adjustments to relevant amounts are recognised in financial statements. The Group chose not to restate the comparative information of the periods. The book value adjustments of financial assets and financial liabilities as at the initial implementation date are accounted to the beginning balance of the retained earnings and other comprehensive income.

Fair Value Measurement

During the Reporting Period, the principle for determination of fair value is: the fair value of the relevant assets or liabilities of the Group is measured by prices in principal markets. If no principal market exists, the fair value of the relevant assets and liabilities will be measured by the prices in the most advantageous market. 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.

For a financial asset or financial liability with an active market, the Group will adopt quotation in the active market to determine the fair value. If no active market exists for a financial instrument, the Group will adopt valuation techniques to determine its fair value. The valuation techniques used by the Group mainly include the market method, the revenue method and the cost method. In applying the valuation technique, the Group will prioritize to use relevant observable inputs, and unobservable inputs are used when relevant ones are unavailable or impractical.

For liabilities measured at fair value, the Group has considered the default risk and assumed that such default risk will remain unchanged before and after the transfer of liabilities. Default risk refers to the risk that obligations are not performed by the enterprise, including but not limited to the enterprise's own credit risk.

Analysis of the Operation and Results of Principal Subsidiaries and Companies with Non-controlling Interest

The Company has six principal subsidiaries and two principal companies with non-controlling interest, a summary of which is set out below:

Name	Shareholding of the Company (%)	Date of Establishment	Registered Capital	Place of Business	Registered Address	Responsible Officer	Contact Number
CITIC Securities (Shandong)	100.00	1988.6.2	RMB2,500 million	2/F, East Wing, Tower 1, Longxiang Plaza, No. 28 Dong Hai Xi Road, Shinan District, Qingdao 15/F, International Wealth Center, No. 156 Jingqi Road, Shizhong District, Jinan	Unit 2001, Tower 1, No. 222 Shenzhen Road, Laoshan District, Qingdao	JIANG Xiaolin	0532-85022309
CSI	100.00	1998.4.9	Paid-up capital of HK$6,516.05 million	26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong	26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong	TANG Zhenyi	00852-26008188
GoldStone Investment	100.00	2007.10.11	RMB3,000 million	17/F, CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing	No. 48 Liangmaqiao Road, Chaoyang District, Beijing	ZHANG Youjun	010-60837800
CITIC Securities Investment	100.00	2012.4.1	RMB14,000 million	CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing	Unit 2001, Tower 1, International Finance Plaza, No. 222 Shenzhen Road, Laoshan District, Qingdao	GE Xiaobo	010-60838838
CITIC Futures	93.47	1993.3.30	RMB1,604,792,982	Units 1301–1305, 13/F and 14/F, North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen	Units 1301–1305, 13/F and 14/F, North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen	ZHANG Hao	0755-83217780
China AMC	62.20	1998.4.9	RMB238 million	Building 7, No. 1 Yuetan South Street, Xicheng District, Beijing	Zone A, Tianzhu Airport Industrial Zone, Shunyi District, Beijing	YANG Minghui	010-88066688
CITIC PE Fund	35.00	2008.6.6	RMB1,800 million	10/F, Jin Bao Building, No. 89 Jinbao Street, Dongcheng District, Beijing	District C, Incubator Building, Technology Education and Startup Park, Technology City, Mianyang, Sichuan	TIAN Yu	010-85079062
Jiantou Zhongxin	30.00	2005.9.30	RMB1,900 million	9/F, No. 3 Dongzhimen South Street, Dongcheng District, Beijing	9/F, No. 3 Dongzhimen South Street, Dongcheng District, Beijing	ZHENG Guosheng	010-85120473

Particulars of the principal subsidiaries and companies with non-controlling interest are as follows (all relevant financial data are unaudited):

(1) CITIC Securities (Shandong) is a wholly-owned subsidiary of the Company with a registered capital of RMB2,500 million. As at the end of the Reporting Period, the total assets and net assets of CITIC Securities (Shandong) amounted to RMB15,829.75 million and RMB5,937.73 million, respectively, and the revenue, gross profit and net profit realized in the first half of 2018 amounted to RMB663.50 million, RMB284.57 million and RMB226.43 million, respectively. CITIC Securities (Shandong) had 70 securities branches and 2,237 staffs (brokers and dispatched staffs inclusive).

The principal businesses of CITIC Securities (Shandong) include: life insurance and property insurance (other than aviation accident insurance and alternative products) approved by the China Insurance Regulatory Commission; foreign-currency negotiable securities brokerage; securities brokerage (in Shandong and Henan provinces only); securities investment advisory (for securities investment advisory business in Shandong and Henan provinces only); margin trading; distribution of securities investment fund; provision of intermediate referral services to futures companies; and distribution of financial products (in Shandong and Henan provinces only).

(2) CSI is a wholly-owned subsidiary of the Company with paid-up capital of HK$6,516.05 million. As at the end of the Reporting Period, the total assets and net assets of CSI amounted to approximately RMB138,109.02 million and approximately RMB7,785.95 million, respectively; the revenue, gross profit and net profit realized in the first half of 2018 amounted to approximately RMB2,186.98 million, approximately RMB335.79 million and approximately RMB322.85 million, respectively. CSI had 4 branches in Hong Kong and 1,991 staffs (brokers inclusive).

The principal businesses of CSI include: holding and investment, and its subsidiaries are permitted to engage in businesses such as investment banking, securities brokerage, futures brokerage, asset management, proprietary trading and direct investment.

(3) GoldStone Investment is a wholly-owned subsidiary of the Company with a registered capital of RMB3.0 billion. As at the end of the Reporting Period, the total assets and net assets of GoldStone Investment amounted to RMB23,055.07 million and RMB10,385.34 million, respectively; the revenue, gross profit and net profit realized in the first half of 2018 amounted to RMB292.91 million, RMB221.77 million and RMB204.03 million, respectively. GoldStone Investment had 87 staffs (dispatched staffs inclusive).

The principal businesses of GoldStone Investment include: industrial investment, investment advisory and management.

(4) CITIC Securities Investment is a wholly-owned subsidiary of the Company with a registered capital of RMB14 billion. As at the end of the Reporting Period, the total assets and net assets of CITIC Securities Investment amounted to RMB21,521.55 million and RMB15,759.89 million, respectively; the revenue, gross profit and net profit realized in the first half of 2018 amounted to RMB4,174.31 million, RMB440.58 million and RMB333.24 million, respectively. CITIC Securities Investment had 22 staffs.

The principal businesses of CITIC Securities Investment include: financial product investment, securities investment and investment advisory.

(5) CITIC Futures is held as to 93.47% by the Company with a registered capital of RMB1,604,792,982. As at the end of the Reporting Period, the total assets and net assets of CITIC Futures amounted to RMB33,059.54 million and RMB3,871.08 million, respectively; the revenue, gross profit and net profit realized in the first half of 2018 amounted to RMB1,071.98 million, RMB249.50 million and RMB184.64 million respectively. CITIC Futures had 43 branches and 1,023 staffs.

The principal businesses of CITIC Futures include: commodity futures brokerage, financial futures brokerage, futures investment advisory, asset management and fund distribution.

(6) China AMC is held as to 62.20% by the Company with a registered capital of RMB238 million. As at the end of the Reporting Period, the total assets and net assets of China AMC amounted to RMB9,509.69 million and RMB7,533.89 million, respectively; the revenue, gross profit and net profit realized in the first half of 2018 amounted to RMB1,872.57 million, RMB761.29 million and RMB599.22 million, respectively. China AMC had 934 staffs (dispatched staffs inclusive).

The principal businesses of China AMC include: fundraising, fund distribution, asset management and other businesses permitted by the CSRC.

(7) CITIC PE Fund is held as to 35% by the Company with a registered capital of RMB1.8 billion. As at the end of the Reporting Period, the total assets and net assets of CITIC PE Fund amounted to RMB6,776.96 million and RMB5,183.70 million, respectively; the net profit realized in the first half of 2018 amounted to RMB126.23 million.

The principal businesses of CITIC PE Fund include: promotion and establishment of industrial (equity) investment funds; industrial (equity) investment fund management; financial advisory, investment and investment management advisory; equity investment and external investment; and enterprise management.

(8) Jiantou Zhongxin is held as to 30% by the Company with a registered capital of RMB1.9 billion. As at the end of the Reporting Period, the total assets and net assets of Jiantou Zhongxin amounted to RMB2,143.67 million and RMB1,966.52 million, respectively; the net profit realized in the first half of 2018 amounted to RMB-2.25 million.

The principal businesses of Jiantou Zhongxin include: investment and asset management; investment advisory; enterprise management advisory; and financial advisory.

Securities Branch Offices of the Company

The Company has established a total of 33 securities branch offices in Beijing, Shanghai, Guangdong, Hubei, Jiangsu, Shanghai Pilot Free Trade Zone, Shenzhen, Northeast, Zhejiang, Fujian, Jiangxi, Wenzhou, Ningbo, Sichuan, Shaanxi, Tianjin, Inner Mongolia, Anhui, Shanxi, Yunnan, Hebei, Hunan, Chongqing, Hainan, Gansu, Ningxia, Guangxi, Jilin, Heilongjiang, Jiaxing, Jinhua, Shaoxing and Taizhou, particulars of which are as follows:

Branch Office	Responsible Officer	Place of Business	Contact Method
Beijing Branch Office	ZHANG Qing	4/F, 5 Jinchengjianguo, No. 5 Jianguomen Beidajie, Dongcheng District, Beijing	010-65128320
Shanghai Branch Office	WANG Lihua	Units 06, 07, 8/F (Actual Floor: 7/F), and Units 01–03A, 07, 10/F (Actual Floor: 9/F), 1568 Century Avenue, Shanghai	021-61768697
Guangdong Branch Office	HU Xingyi	Rooms 01–08 (self-numbered), Level 57, No. 15 Zhujiang West Road, Tianhe District, Guangzhou, Guangdong	020-66609960
Hubei Branch Office	SHI Xiangrong	Level 51, Guangdong Development Bank Building, No. 737 Jianshe Avenue, Jianghan District, Wuhan, Hubei	027-85355366
Jiangsu Branch Office	ZHOU Jinfei	Level 10, Phase II of Sunny World, No. 168 Lushan Road, Jianye District, Nanjing, Jiangsu	025-83282416
Shanghai Pilot Free Trade Zone Branch Office	ZHENG Yonghan	19/F, 20/F, No. 1568 Century Avenue, Pilot Free Trade Zone, Shanghai	021-20262006
Shenzhen Branch Office	LIANG Qi	12/F, 20/F, CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian Street, Futian District, Shenzhen	0755-23911600
Northeast Branch Office	XU Xin	Level 30, Block A, CR Building, No. 286 Qingnian Avenue, Heping District, Shenyang, Liaoning	024-23972693
Zhejiang Branch Office	CHEN Gang	Units 2201, 2202, 2203 and 2204 of Dikai Yinzuo, Jianggan District, Hangzhou, Zhejiang	0571-85783714
Jiangxi Branch Office	KUANG Wenqiang	28/F, Lianfa Plaza, No. 129 Lvyin Road, Honggutan New District, Nanchang, Jiangxi	0791-83970561
Fujian Branch Office	SUI Yanping	Units 1901, 1902, 1905A and 1907 of Sino Plaza, No. 137 Wusi Road, Gulou District, Fuzhou, Fujian	0591-87905705
Ningbo Branch Office	YAO Feng	Block 2 (15-1), No. 235 Heji Street, Jiangdong District, Ningbo, Zhejiang	0574-87033718
Wenzhou Branch Office	YANG Qiaowu	Rooms 701, 702 and 703, 7/F, Fortune Center, No. 577 Station Avenue, Wenzhou, Zhejiang	0577-88107230
Sichuan Branch Office	HONG Wei	1/F, West Wing, La Defense, No. 1480, North Section of Tianfu Avenue, High-tech Industrial, Development Zone, Chengdu, Sichuan	028-65728888
Shaanxi Branch Office	SHI Lei	Room 11301, Building 1, E-Yang International Building, No.27 Keji Road, Hi-tech Zone, Xi'an, Shaanxi Province	029-88222554
Tianjin Branch Office	LIU Jinkun	Level 7, Tianjin Technology Building, No. 23 Youyi Road, Hexi District, Tianjin	022-28138825
Inner Mongolia Branch Office	HAN Rui	2/F, 3/F, CITIC Building, No. 42 Ruyihe Street, Saihan District, Hohhot, Inner Mongolia Autonomous Region	0471-5982233

Branch Office	Responsible Officer	Place of Business	Contact Method
Anhui Branch Office	WU Jianfeng	Rooms 101 and 1-701 to 1-708, 1-Shang, Block A, Jinding International Square, No. 287 Suixi Road, Luyang District, Hefei, Anhui Province	0551-65662889
Shanxi Branch Office	ZHENG Wenhui	4/F, International Energy Center, No. 100 Yingzexi Avenue, Wanbailin District, Taiyuan, Shanxi Province	0351-6191968
Yunnan Branch Office	ZHANG Rui	11/F, Block 2, Huahai Xinjingjie Commercial Building, Milesi New Village, Huancheng Road West, Xishan District, Kunming, Yunnan Province	0871-68353618
Hunan Branch Office	CHEN Keke	2/F, New Century Building, No. 198 Second Section Furongzhong Road, Tianxin District, Changsha, Hunan	0731-85363199
Hebei Branch Office	ZHANG Xinyu	3501–3504, 35/F, Tower B, Letai Center, No. 39 Zhongshan East Road, Chang'an District, Shijiazhuang, Hebei Province	0311-66188908
Chongqing Branch Office	HAN Han	Room 208, Block E, Fortune Building, 11 East Honghu Road, Yubei District, Chongqing	023-63025786
Hainan Branch Office	YAN Changsheng	1–2/F, Block B, East Area of Sheng Da Jing Du, No. 65 Guoxing Avenue, Meilan District, Haikou, Hainan	0898-65369740
Guangxi Branch Office	CHEN Xiao	Units 1802 and 1805, 18F, Building C China Resources Building, No. 136-5 Minzu Avenue, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region	0771-2539031
Gansu Branch Office	TIAN Chuanjin	Level 2, Jiangong Times Building, No. 575 East Xijin Road, Qilihe District, Lanzhou, Gansu	0931-2146560
Ningxia Branch Office	REN Gaopeng	Room 503, Block C, Yinchuan International Trade Center, West Wenhua Street, Xingqing District, Yinchuan, Ningxia Hui Autonomous Region	0951-5102568
Jilin Branch Office	LI Zhe	C101 on 1–2/F, C301–302 on 3/F, Tower C, Pearl Plaza, No. 8988 Renmin Main Street, Nanguan District, Changchun, Jilin Province	0431-81970899
Heilongjiang Branch Office	LIU Rong	21/F, No. 236 Hongqi Main Street, Nangang District, Harbin, Heilongjiang Province	0451-51980808
Jiaxing Branch Office	WU Jinglan	North Side of 1/F, 6/F and 7/F of Commercial and Office Complex at the Intersection of Zhongshan Road and Jishui Road, Nanhu District, Jiaxing, Zhejiang Province	0573-82069341
Jinhua Branch Office	XU Honglai	Ocean Tower, No. 331 Zhongshan Road, Jinhua, Zhejiang Province	0579-82337102
Shaoxing Branch Office	TONG Weijia	1/F and 2/F, Block A, Yuewangcheng Cultural Industry Building, No. 117 Pianmen Zhi Street, Yuecheng District, Shaoxing, Zhejiang Province	0575-88096598
Taizhou Branch Office	LIN Binxian	19/F and 20/F, Development and Investment Mansion, No.188 Fuzhong Road, Taizhou, Zhejiang Province	0576-88896598

Contingent Liabilities

According to the investigation initiated by CSRC into the Company in 2015, the provision for accrued liabilities of relevant investigated accounts was RMB436 million in 2015. On 24 May 2017, the Company received the Prior Notification Letter of Administrative Penalty (Chu Fa Zi [2017] No. 57) issued by the CSRC. As of the date of the 2018 Interim Results Announcement of the Company, the Company has not received the notification of final administrative penalty from the CSRC or other information beyond the scope of the above investigation. Thus, it is impossible to anticipate the impacts of such contingent liabilities on the financial statements at the present stage. The final result of the investigation and the amount of administrative penalty will be based on the final conclusion of the regulatory authority.

Access to and Ability of Financing

Currently, the Company obtains short-term funds from commercial banks and other investors primarily by way of bond repurchases, inter-bank lending, issuance of short-term commercial papers, issuance of beneficiary certificates, issuance of short-term corporate bonds etc. through SSE, SZSE and inter-bank market in accordance with the relevant policies and regulations of competent authorities.

In addition, the Company may, subject to market conditions and its own needs, obtain finance by way of issuance, rights issue, issuance of bonds, convertible bonds, subordinated bonds, private placement bonds, asset-backed securities and other financing methods as approved by the regulatory authorities. The Company may also issue USD medium-term notes and Eurocommercial papers through overseas subsidiaries, with the aim of obtaining foreign currency to support overseas business development.

To maintain the liquidity and profitability of its assets, the Company's proprietary capital is centrally managed by the Treasury Department. There is also a comprehensive management system and corresponding workflows in place. The Company fine-tunes the structures of its different classes of assets in a timely manner and utilizes corresponding hedging tools to mitigate the risks and the impacts of the above factors.

Please refer to Note 36 Short-term loans, Note 37 Short-term financing instruments payable, Note 39 Debt instruments issued and Note 40 Long-term loans to the financial statements of this report for the information on the debt financing instruments and liquidity of the Company in the first half of 2018.

Potential Risks

The Company faces risks from the market, credit, exchange rate, interest rate and so on. Amidst various challenges and pressure, the Chinese economy maintained a steady and upward development trend in general. With overcapacity persisted and the imbalance between supply and demand remained a significant problem, there was a lack of internal growth driver for the economy and the credit default risk accumulated as credit risk premium increased. While the change of the international trading environment brought additional uncertainty to export demand, exchange rate aggravated and inflation was expected to rise, which posed corresponding risks to the Company.

Core Competitiveness Analysis

In the first half of 2018, the Company actively pursued the business objectives of "implementing the national strategy and serving the real economy". Focusing on the finance industry as its core business, it devoted resources to the real economy in the most efficient manner to offer comprehensive financial services to the new economy, new industries, new business trend and new model.

The principal businesses of the Company maintained their market leading positions. Of which, the equity financing lead underwriting size amounted to RMB91,200 million with a market share of 12.94%, ranking the first in the industry. The bond lead underwriting size amounted to RMB262,400 million with a market share of 4.65%, ranking the first in the market. The transaction volume of domestic mergers and acquisitions (the channel-type business of the CSRC) amounted to RMB22,400 million with a market share of 8.2%, ranking the third in the industry. The total trading volume of equity funds handled (trading volume of exchange-traded monetary funds exclusive) accounted for 6.00% of the market. The size of AUM was RMB1.53 trillion, with a market share of 10.30%, of which the assets under active management amounted to RMB583,200 million, both ranking the first in the industry. The balance of margin financing and securities lending amounted to RMB64,700 million, with a market share of 7.04%, ranking the first in the industry.

Risk Management

Overview

The Company has always believed that effective risk management and internal control are critical to its successful operation. The Company has implemented comprehensive risk management and internal control processes, through which it monitors, evaluates and manages the financial, operational, compliance and legal risks that it is exposed to in the course of business, and implements vertical risk management of its subsidiaries through different models including business guidance, operational supports and decision-making management. The Company has established a complete and effective governance structure in accordance with relevant laws, regulations and regulatory requirements. The Company's general meeting of Shareholders, the Board and Supervisory Committee perform their duties to oversee and manage the operation of the Company based on the Company Law, Securities Law and the Articles of Association of the Company. By strengthening the relevant internal control arrangements and improving the Company's control environment and internal control structure, the Board has incorporated internal control and risk management as essential elements in the Company's decision-making processes.

Upon fulfilling the requirements of the Regulations for the Overall Risk Management of Securities Companies (《證券公司全面風險管理規範》), in the first half of 2018, the Company continued to optimize the risk management system, enhanced the organizational structure for risk management, strengthened the establishment of the information technology system for risk management, improved the risk control indicator system, promoted team building for professional talents, reinforced the risk response mechanism, and intensify the vertical risk management measures for onshore and offshore subsidiaries, so as to align the comprehensive risk management system with the corporate development strategy and secure the steady and sustainable business development of the Company.

Structure of Risk Management

The major framework of the risk management of the Company consists of the Risk Management Committee under the Board, the related professional committees under the Operation Management, the relevant internal control departments and business departments/business lines. The relatively comprehensive three-level risk management system enables a network of collective decision making among the respective committees, and close cooperation between internal control departments and business departments/business lines, and manages risks through review, decision, execution and supervision. At the division and business line level, the Company has established three lines of defense for risk management, where business departments/business lines assume the primary responsibility for risk management, internal control departments, such as the Risk Management Department and the Compliance Department, take charge of professional management of all types of risks and the Audit Department conduct post-supervision and evaluation.

Level 1: The Board

The Risk Management Committee of the Board supervises the overall risk management of the Company with the aim of controlling risks within an acceptable level and ensures smooth implementation of effective risk management schemes over risks related to the Company's operation activities; prepares overall risk management policies for the Board's review; formulates strategic structure and resources to be allocated for risk management purposes and keeps them in line with the internal risk management policies; sets limits for major risk indicators; performs supervision and review on the risk management policies and makes recommendation to the Board.

Level 2: The Operation Management

The Company has established the Assets and Liabilities Management Committee. Within the authority delegated by the Board and Operation Management of the Company, the committee makes decisions on and reviews major issues and related systems involving the application of the Company's proprietary capital. For the purpose of ensuring the Company's capital security, the committee optimizes assets allocation and improves the efficiency of the capital application via a scientific, standardized and prudent approach under strict control and management over risk exposures.

The Company has established the Capital Commitment Committee. The committee performs final risk assessment and reviews on the capital commitment of the underwriting business within the authority delegated by the Board and Operation Management of the Company. All corporate finance activities involving the application of capital are subject to the approval by the Capital Commitment Committee to ensure an acceptable level of risk exposure of the corporate finance activities and security of capital.

The Company has established the Risk Management Committee. This committee reports to the Risk Management Committee of the Board and the operation management of the Company, and is responsible for monitoring and managing the daily risks of the Company within its designated authority, deciding on and approving material matters related to risk management and relevant system and setting limits for risk. The Risk Management Committee comprises a risk management sub-working group and a reputation risk management sub-working group. The risk management sub-working group is the main body responsible for the daily monitoring and management of the financial risks over the buy-side business and facilitating the execution of the decisions made by the Risk Management Committee. With regular working meeting, the Risk Management Sub-Working Group has set up specific working groups led by specific risk management control experts with the involvement of related business departments/business lines separately in accordance with market risks, credit risks, liquidity risks and operational risks to respond to matters from daily monitoring to be dealt with or decisions made by the higher authorities in a timely manner through the establishment of coordination on implementation level. The reputation risk management sub-working group is the daily management body of reputation risks and is responsible for establishing relevant rules and management mechanisms, preventing and identifying reputation risks, responding to and tackling reputation events in a proactive and effective manner and mitigating any negative effect to the largest extent.

The Company appoints the Chief Risk Officer to coordinate the overall risk management.

The Company has established the Product Committee. Under the authority of the Board and Operation Management, the Product Committee uniformly makes plans, preparation and decisions regarding the products and service business of the Company. It reviews the launch or sales of products and provides related service, and is the decision-making body of the appropriateness management for the launch of financial products of the Company. The Risk Evaluation Group and the Appropriateness Management Group were established under the Product Committee. The Risk Evaluation Group is responsible for reviewing the qualification of the principal which entrusted the Company to sell products, and is tasked with organizing the specific product evaluation, establishing the classification criteria and methods of risks associated with products or services of the Company, performing risk assessment and risk grading on products or services, as well as supervising the management of product terms. The Appropriateness Management Group is responsible for the formulation of the classification criteria of investors, performing the principle and process matching the investors' appropriateness and urging the departments to implement the appropriate management of investors, as well as organizing appropriateness training and the self-examination and rectification of the appropriateness levels of the Company, in order to establish and improve the appropriateness assessment database and other related works.

Level 3: Division/Business Lines

At the division and business line level, the Company has segregated the roles and responsibilities of the front office, middle office and back office to ensure the establishment of a system of "checks and balances", forming three lines of defense in risk management jointly built by business divisions/business lines, internal control units including the Risk Management Department and the Compliance Department, as well as the Audit Department.

Being the Company's first line of defense in risk management, front-office business departments/business lines of the Company are the first line of risk defense management. These departments are responsible for the establishment of business management systems and risk management systems for various businesses and perform supervision, assessment and reporting on business risks and contain such risks within the approved limits.

Internal control departments such as the Risk Management Department and Compliance Department are the second line of defense in risk management, of which:

The Risk Management Department of the Company performs risk identification, measurement, analysis, monitoring, reporting and management. The department analyzes and assesses the overall risks of the Company and each of its business lines and recommends on optimized allocation of risk resources; assists the Risk Management Committee in the preparation of risk management indicators such as risk limits, as well as supervision and reporting on the execution of the risk limits; establishes and improves the timely reporting and feedback mechanism among front office, the Risk Management Department and the operation management, and regularly discloses the general risk portfolio of the Company to the operation management and makes recommendations on risk management; establishes a comprehensive stress test mechanism as a basis for major decision making and daily operational adjustment and fulfillment of regulatory requirements; performs pre-risk assessment and control over new products and businesses.

The Compliance Department of the Company organizes the establishment and implementation of the basic compliance policy of the Company, provides compliance advice to management, departments/business lines and branches of the Company, monitors lawful compliance of management and operating activities; supervises and instructs the business departments/business lines and branches to assess, develop, modify and improve internal management policies, procedures and business processes based on changes in laws, regulations and guidelines; performs compliance pre-reviews on new internal management policies, important decisions, new products, new businesses and key business activities launched by the Company; fulfills the regular and non-regular obligations of reporting to regulatory authorities; organizes and performs money laundering risk control in accordance with the anti-money laundering system of the Company.

The Legal Department of the Company is responsible for oversight of the legal risks of the Company and its relevant businesses.

The Board Office promotes the management over the reputation risk of the Company in conjunction with the Office of the CEO, Risk Management Department, Compliance Department, Human Resources Department, Legal Department, Information Technology Centre, Audit Department and other relevant departments.

The Information Technology Centre of the Company is responsible for managing the IT risks of the Company.

The Audit Department of the Company is the third line of defense in risk management and has the overall responsibility for internal audit, planning and implementing internal audit of all departments/business lines of the Company, its subsidiaries and branches, monitoring the implementation of internal control systems, preventing various moral and policy risks, and assisting the Company with the investigation of emergency events.

Other internal control units exercise their respective risk management functions within the scope of their responsibilities.

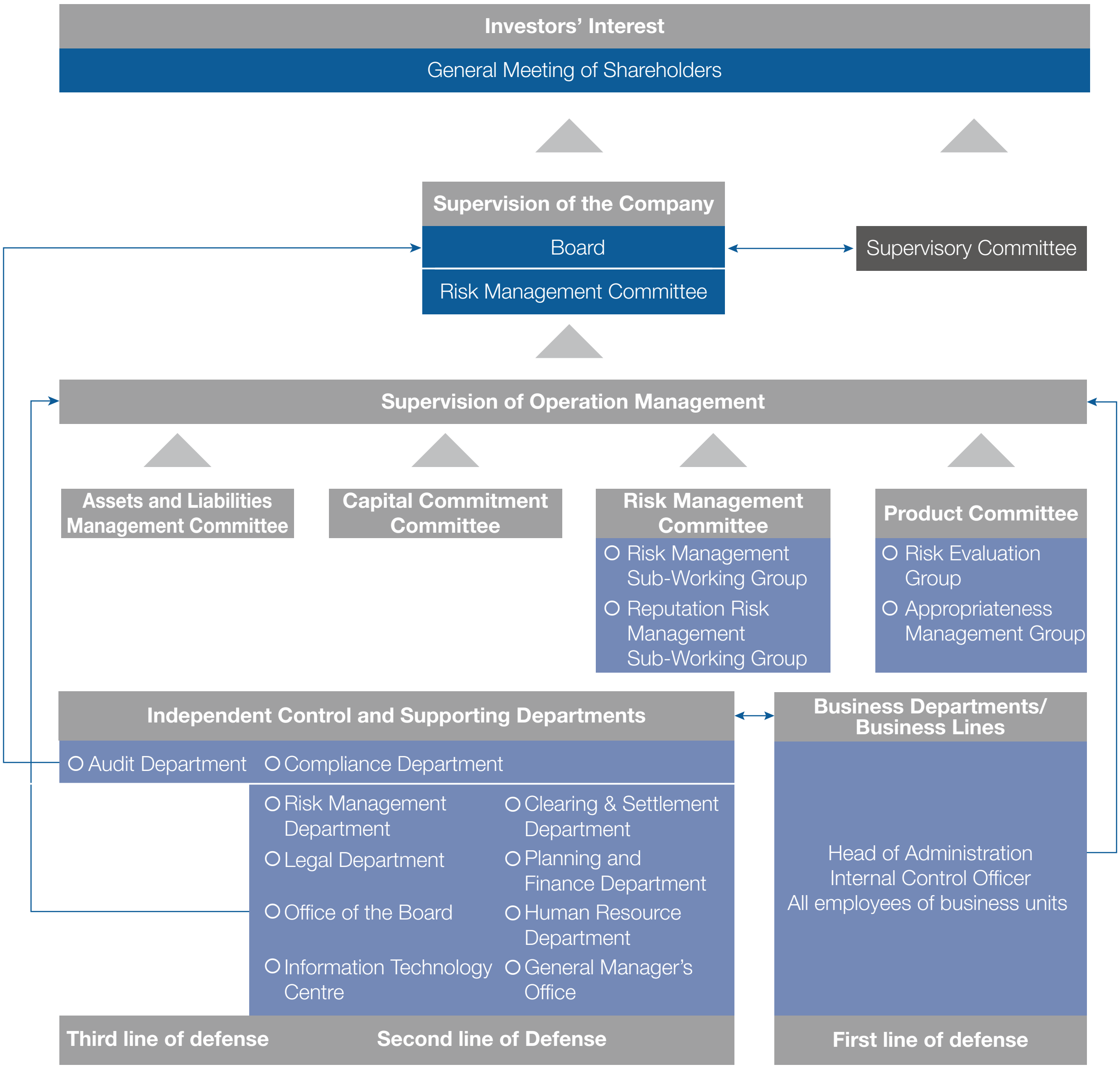

Chart: Structure of the Risk Management

Market Risk

Market risks represent potential losses due to movement in market prices of financial positions held. Financial positions held are derived from the proprietary investment, market-making business and other investment activities. Movements in the financial positions held primarily originate from instructions received from the customers and the relevant strategies of proprietary investment.

Market risks primarily include equity price risk, interest rate risk, commodity price risk and foreign exchange rate risk. Among which, equity price risk arises from fluctuation in the price and volatility of equities such as stocks, equity portfolio and stock index futures. Interest rate risk primarily arises from movements in the yield curve of fixed income investment, fluctuation in interest rates and credit spreads. Commodity price risk arises from adverse price movements of various commodities. Exchange rate risk represents exposures arising from changes in non-local currency rates.

The Company has established a top-down risk limit management system, which allocates the overall risk of the Company to different business departments/business lines, and through monitoring by the internal control department, and by timely assessment and reporting of significant risk matters, the overall market risk of the Company is controlled within an acceptable level.

The Company assesses, monitors and manages its overall market risks through a risk management department, which is independent of the business departments/business lines, and its assessments and testing results are reported to the respective business departments/business lines, the operation management of the Company and the Risk Management Committee. In implementing market risk management, the front-office business departments/business lines, with direct responsibility for risk management and as the frontline risk management team, dynamically manage the market risks arising from its securities holdings, and actively take measures including reducing risk exposures or risk hedging when the exposures are relatively high. The relevant monitoring personnel from the Risk Management Department will continuously cooperate and communicate directly with the respective business departments/business lines with regard to information on risk exposures, and discuss the status of risk portfolios and the losses in extreme situations.

The Risk Management Department estimates possible losses arising from market risks through a series of measurements, including possible losses under normal volatility and extreme market conditions. Under normal volatilities, the Risk Management Department measures the possible losses of the Company in the short term mainly via VaR and sensitivity analysis. In extreme situations, the department measures the possible losses of the Company via stress test. The risk report sets out the market risk portfolios and its changes in each of the business departments/business lines. The report will be delivered on a daily, weekly, monthly or quarterly basis to the responsible officers of the business departments/business lines and the operation management of the Company.

VaR represents the potential losses of investment portfolios held due to movements in market prices over a specified time period and at a given level of confidence. The Company adopts VaR as a major indicator of its market risk measurement. The calculation is based on a holding period of one trading day and a confidence level of 95%. VaR detects exposures such as interest rate risk, equity price risk and exchange rate risk, and measures the movement of market risks such as those arising from changes in interest rate curves, prices of securities and exchange rates.

The Risk Management Department constantly inspects the accuracy of VaR through backtesting and improves its calculation in line with the expansion of the Company. The Company also evaluates the possible losses in its proprietary positions arising from extreme situations through stress tests. The Risk Management Department has established a series of macro and market scenarios to calculate the possible losses to the Company's positions upon the concurrence of different events under a single or multiple scenarios. These scenarios include the occurrence of major setbacks in macroeconomic conditions, significant and adverse changes in major markets and extraordinary risk events. Stress test constitutes an integral part of the market risk management. Through stress tests, the Company could focus on the possible losses to the Company, analyze its risk-return and compare its risk resistant capacities, and evaluates whether the overall market risk portfolio of the Company is within its expected limits. In view of the market condition and risk characteristics in 2018, the Company enhanced the research and optimization of stress test methodology, in particular, it refined the consideration of the impact of asset liquidity in the stress test and diversified stress test models for OTC derivative business, which provided more scenarios and calculation method for stress test to better evaluate and manage the possible material loss of the Company under extreme circumstances.

The Company sets risk limits for its respective business departments/business lines to control fluctuations in profit or loss and market exposures. The risk limits are monitored by the Risk Management Department on a daily basis. When risk level is approaching or exceeds the threshold values, the Risk Management Department will warn the relevant management officers in advance, discuss with the respective business management officers, and in accordance with the opinion reached through discussions, the business departments/business lines will reduce the exposures to the risk limits, or may apply for a temporary or permanent upgrade in the limits, subject to approval by the authorized personnel or bodies.

The Company continues to modify the risk limits system, and is building up a more comprehensive system with different levels of risk limit indicators for the Company on the basis of existing indicators, its respective business departments/business lines and investment accounts, with a view to formulating substantive rules or guidelines for the management of its risk limits system.

In respect of foreign assets, in order to ensure the availability of funds required for foreign business expansion, the Company implemented centralized management toward its exchange risk. The Company keeps track of the risk by closely monitoring the value of the assets in the account on a daily basis. It monitors the exchange risk from different angles, such as assets limit, VaR, sensibility analysis and stress test, and manages exchange risk exposure through methods such as adjusting foreign currency position, using forward exchange contract/option hedging, currency swap contracts, etc.

The Group closely kept track of market and business changes, promptly identified the latest market risk profile and maintained good communication with relevant regulatory authorities and shareholders, with a view to timely control exposures to market risks.

Please refer to Note 48 to the financial statements for details of market risks of the Group.

Credit Risk

Credit risk is the risk in respect of loss arising from the inability of a borrower, counterparty or issuer of financial positions held by the Company to meet its obligations or whose credit qualifications deteriorate.

The credit risk of the Group mostly arises from four aspects: firstly, the brokerage business in respect of securities dealing and futures trading on behalf of clients, if the Group does not require the clients to pay sufficient margin deposits in advance according to the laws, the Group may have to undertake the settlement responsibility on behalf of clients if the clients do not have sufficient funds to pay for the transaction, or face financing gaps due to other factors on the settlement date, and accordingly resulting in losses; secondly, credit risk arising from the securities financing businesses including margin financing and securities lending, stock repo, stock-pledged repo, which refers to the Group's exposure to losses caused by clients' failure to perform the contracts; thirdly, default risk from credit product investment, which refers to the risk of the Group's asset losses and change in yield for the reason of default or refusal to pay principal and interest on due dates by the financing parties or the issuers of the credit products the Group invested; and fourthly, counterparty default risk in OTC derivative transactions such as interest rate swap, equity swap, OTC option and forwards, i.e. the risk of counterparties failing to perform their payment obligations in accordance with contracts when the contracts reach the mature dates.

The Company assesses the credit ratings of counterparties or issuers through its internal credit rating systems, measures its credit risk by means of stress tests and sensitivity analysis, and manages such credit risk based on these results through credit approval system. Meanwhile, the Company uses its information management systems to monitor its credit risk on a real-time basis, keeps track of the credit risk of its business products and transaction counterparties, provides analysis and pre-warning reports, and adjusts its credit limits in a timely manner.

Securities brokerage business transactions within China are all required to be settled in full by security deposit, as a result of which the settlement risk associated with brokerage business has been largely controlled.

Credit risk arising from the securities financing business primarily includes clients' provision of false information, failure to make full repayment on time, contractual breach of portfolio limits and compositions, violation of regulatory requirements, and provision of collateral encumbered with legal disputes. Credit risk arising from this type of businesses is mainly managed through client education, credit reference checks, credit approval, daily mark to market, risk reminders to clients, forced liquidation of clients' positions, judicial recourse and other means.

For credit products investment, in respect of private equity investment, the Company has established the entrance levels and investment caps for its products and will manage its credit risk through risk assessment, risk reminders and judicial recourse, and in respect of public offering investments, through the counterparty credit approval policy, the Company has developed certain investment restrictions based on the credit ratings.

The counterparties in OTC derivative transactions are mainly financial institutions and other professional institutions and the main risks are their failure to make payments on time, their failure to cover the security deposits in a timely manner when the losses are made on investments and discrepancy between amounts calculated by the parties, etc. The Company sets certain proportions for the security deposits of counterparties and restrictions on the transaction size, controls the credit risk exposure of counterparties through daily mark to market, margin calls and forced liquidation of clients' positions, and carries out recourse through judicial procedures upon the forced liquidation of clients' positions and the occurrence of losses.

Due to the lack of comparability between credit rating results granted by domestic credit rating agencies and by foreign credit rating agencies, the credit risk exposure is stated separately as follows:

Credit risk exposure of investments in bonds (by Domestic rating agencies)

In RMB ten thousand

Investment Rating	**30 June 2018**	31 December 2017
China's Sovereign Credit Rating	**1,343,411**	1,348,987
AAA	**2,692,062**	839,799
AA	**655,008**	257,874
A	**—**	—
A-1	**217,152**	208,498
Others	**1,741,734**	809,407
Total exposure	**6,649,367**	3,464,565

Note: AAA~A represents rating for debts with maturity over one year, of which AAA represents the highest rating; A-1 represents the highest rating for debts with maturity within one year; AA includes products with AA+, AA and AA- actual ratings; A includes products with A+, A and A- actual ratings; others refer to products with ratings below A- (excluding A-) and those without external debt ratings.

Credit Risk Exposure of Investments in Bonds (by Foreign Rating Agencies)

In RMB ten thousand

Investment Rating	30 June 2018	31 December 2017
A	-4,335	-9,599
B	-3,129	198,896
C	812,454	1,116,996
D	-295	75,645
NR	-177,507	205,840
Total exposure	627,188	1,587,778

Note: The foreign bond rating is chosen as the lowest of the ratings granted by Moody's, Standard & Poor's and Fitch Ratings (if any); NR is recorded when no rating has been granted by any of the three agencies. Of which, A represents products with ratings of Aaa~Aa3 by Moody's, AAA~AA- by Standard & Poor's and AAA~AA- by Fitch Ratings; B represents products with ratings of A1~Baa3 by Moody's, A+~BBB- by Standard & Poor's and A+~BBB- by Fitch Ratings; C represents products with ratings of Ba1~B3 by Moody's and BB+~B- by Standard & Poor's, and BB+~B- by Fitch Ratings; D represents products with ratings of Caa1~D by Moody's, CCC+~D by Standard & Poor's, and CCC+~D by Fitch Ratings.

The Group continued to maintain strict risk management standards for its securities financing business from multiple perspectives in terms of pledge ratio, collaterals, security payment ratio, concentration, liquidity, durations etc., and managed its credit risk exposure through timely mark to market management.

As at the end of the Reporting Period, the Group maintained an average margin ratio of 258% for the Group's margin financing and securities lending clients with outstanding liabilities; an average margin ratio of 244% for the Group's stock repo clients with outstanding liabilities; an average margin ratio of 212% for the Group's stock-pledged repo clients with outstanding liabilities; and an average margin ratio of 244% for the Group's stock return swap clients with outstanding liabilities.

Liquidity Risk

Liquidity risk refers to the risk that the Company is not able to obtain sufficient capital with reasonable cost and in a timely manner to pay its overdue debts, perform other payment obligations and meet capital requirements for normal business operations. The Company has consistently adhered to the overall operation of capital. The responsibilities for centralized management of fund allocation lie within the Treasury Department. At present, in respect of the domestic stock exchanges and interbank market, the Company has a relatively high credit rating, and has secured stable channels for short-term financing, such as borrowing and repurchases; meanwhile, the Company supplements the long-term working capital through the issuance of corporate bonds, subordinated bonds, structured notes via public or private offering, which enables the Company to maintain its overall liquidity at a relatively secured level.

In addition, the Risk Management Department independently monitors and assesses the fund and debt positions of the Company over a future time span on a daily basis, which measures the solvency of the Company via analysis of matching between assets and liabilities within the specified point in time and time period and indicators such as funding gaps. The Risk Management Department releases a liquidity risk report on a daily basis, reporting on the assets and liabilities and limits management of the Company. The Company also sets threshold values for internal and external liquidity risk indicators, and once exceeded, the Risk Management Department will warn the Risk Management Committee and the Senior Management of the Company as well as relevant departments according to the relevant systems, and appropriate actions will be taken by the relevant competent departments to adjust the liquidity risks exposed to a level within the permitted ranges. The Company has also established a liquidity reserve pool system, holding sufficient high liquidity assets to meet the Company's emergency liquidity needs.

In the first half of 2018, we faced a market that was characterized by the overall stable and neutral liquidity and the dependence on investments from the central bank. The Group strengthened its close monitoring and daily management of liquidity risks, to ensure the constant compliance of liquidity regulatory indicators with the regulatory standards. On the other hand, the Group evaluated liquidity pressure under extreme circumstances through liquidity risk stress tests and formulated emergency plans to ensure secured liquidity of the Company.

Operational Risk

Operational risk is the risk of losses arising from flaws in internal processes, breakdowns of the information system, fault or misconduct of staff, external factors and other reasons.

During the Reporting Period, the established operational risk management system was operating effectively: the Company achieved risk prevention through business process and system review, as well as innovative business evaluation; it monitored the execution of business process with key risk indicators (KRI) and issued alert on potential risks; it mitigated materialized risks by conducting investigations on risk events and following up on rectification measures; it promoted risk awareness and enhanced staff's ability to identify and prevent risks through various training. The decreasing number of risk events and the amount of loss reflected the improving operational risk management system, the refining monitoring process and the rising risk awareness among staff.

Following the implementation of the "Guidelines for the Management of Operational Risk for Subsidiaries (Trial)", the Company gradually pushed forward the adoption of various management procedures in direct subsidiaries. Through risk event reporting, streamlining of risks and control points, innovative business report and regular risk reporting, the Company developed a full picture of the operational risks of subsidiaries. Meanwhile, it set up the management module for subsidiaries within the self-built operational risk management system so as to enhance management efficiency through automated means.

Details of the Annual General Meeting and Extraordinary General Meeting Convened During the Reporting Period

Session of meeting	Convening date	Designated websites for publication of the resolutions of the meeting	Date of publication of the resolutions of the meeting
2017 Annual General Meeting	2018.6.26	www.sse.com.cn www.hkexnews.hk www.cs.ecitic.com	2018.6.26

Note: For details of the resolutions approved at the meeting, please refer to the disclosure on the HKEXnews website of HKEx (http://www.hkexnews.hk) published on the date of the meeting, on/in the SSE website (http://www.sse.com.cn), China Securities Journal, Shanghai Securities News and Securities Times published on the following day, and the website of the Company (http://www.cs.ecitic.com).

During the Reporting Period, the Company held one Shareholders' general meeting in total, details of which are as follows:

The Company held the 2017 Annual General Meeting at Beijing Ruicheng Four Seasons Hotel on 26 June 2018, through a combination of on-site voting and online voting. Three special resolutions and eleven ordinary resolutions were considered and approved at the meeting. The general meeting was chaired by Mr. ZHANG Youjun, the Chairman of the Board. Other Directors, the Supervisors, and certain members of the Senior Management attended the meeting.

Performance of Undertakings

Undertakings of the De Facto Controller, Shareholders, Related Parties, Acquirer of the Company and the Company Made or Subsisting During the Reporting Period

Undertaking in respect of the share reform

During the Company's implementation of the share reform in 2005, CITIC Group, the largest Shareholder of the Company, has undertaken "not to transfer its shares within 12 months from the date of listing of the shares of the Company or upon expiry of the non-transfer undertaking, whenever it transfers through the stock exchange any shares of the Company amounting to 1% of total issued shares of the Company, it shall announce within two working days of such transfer; in addition, any such transfers shall not exceed 5% of the total issued shares of the Company within the 12-month period and not to exceed 10% within the 24-month period."

Since CITIC Group has transferred all the Shares held by it to CITIC Corporation Limited, the above undertaking is taken up by CITIC Corporation Limited. The above long-term undertaking is still valid, which has been performed satisfactorily at present and will continue to be performed.

Undertaking in respect of non-competition

During the initial public offering of A Shares of the Company in December 2002, CITIC Group, the largest Shareholder of the Company, undertook that "it did not and will not establish any further new companies engaging in the securities business. In respect of those businesses which are same or similar as the securities company launched by banking and trust investment businesses, CITIC Group has undertaken that our Company can make adequate disclosure of such business and that it will not misuse its position as the controlling Shareholder to act in the detriment of the interests of the Company and other Shareholders."

The above long-term undertaking is still valid and is succeeded by CITIC Corporation Limited. It is currently in good implementation, and will continue to be duly performed.

There are no unperformed open undertakings by other Shareholders or related/connected parties.

There are no open undertakings made by the Company that need to be performed.

Appointment or Termination of Service of Accounting Firms

As approved at the 2017 Annual General Meeting, the Company reappointed PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the external auditors for 2018 to be responsible for the provision of the relevant annual audit and interim review services in accordance with the PRC Accounting Standards for Enterprises and the International Financial Reporting Standards, respectively; and appointed PricewaterhouseCoopers Zhong Tian LLP as the auditor for internal control of the Company for 2018. The total amount of the fees in relation to the above audit and review services will not exceed RMB28 million (including the audit and review services to be provided to the primary subsidiaries of the Company and for relevant consolidated items). If additional fees are incurred due to a change in scope and contents of the audit or review, the Board has been authorized by the 2017 Annual General Meeting to determine the fees according to the actual scope and contents of the audit or review.

Material Litigation and Arbitration

During the Reporting Period, the Group had not been involved in any litigation or arbitration which has a material impact on the Group.

The litigation or arbitration of the Group with an involved amount of over RMB10 million, which was newly raised or had progress from the beginning of the Reporting Period until the date of publication of the 2018 Interim Results Announcement of the Company and has not been disclosed, is as follows:

Dispute Between the Company and China City Construction on Transaction of Bonds

Background information of this case was set out in the Company's 2017 Interim Report.

Dispute on Transaction of "11 China City Construction MTN1 Bonds"

The Company filed a lawsuit with the First Intermediate People's Court of Beijing Municipality (hereinafter referred to as the "**Beijing First Intermediate Court**") on 28 February 2017, requesting China City Construction Holding Group Co., Ltd. (hereinafter referred to as "**China City Construction**") to repay the principal of RMB100 million and corresponding interests of RMB5.68 million due to the Company, and pay for the liquidated damages as well as other expenses incurred for realizing the creditor's rights. The Beijing First Intermediate Court accepted this case on the same date of the filing of the lawsuit by the Company and made the ruling on property preservation on 25 April 2017. The first instance verdict supported the major claims of the Company (principal, interests, liquidated damages, litigation fee and application fee for property preservation). In early December 2017, China City Construction appealed to the Higher People's Court of Beijing Municipality (hereinafter referred to as the "**Beijing Higher Court**"). The Beijing Higher Court heard the case on 6 March 2018 and rendered the final judgement of the case on 17 April 2018, which dismissed the appeal of China City Construction. On 2 May 2018, the Company has applied for enforcement procedures for the case with the Second Intermediate People's Court of Beijing Municipality (hereinafter referred to as the "**Beijing Second Intermediate Court**"). Currently, the case is in the process of enforcement.

Dispute on Transaction of "12 China City Construction MTN1 Bonds"

The Company filed a lawsuit with the Beijing First Intermediate Court on 26 May 2017 , requesting China City Construction to repay the bond principal of RMB120 million and corresponding interests of RMB3,266,137 ahead of due, and pay for other expenses incurred for realizing the creditor's rights. The Beijing First Intermediate Court accepted this case on 27 May 2017 and made the ruling of property preservation on 12 June 2017. The Beijing Second Intermediate Court heard the case on 14 March 2018 and gave the first stance verdict on 20 April 2018 in favor of the major claims of the Company (principal, interests, liquidated damages and litigation fee). On 4 May 2018, China City Construction appealed to the Beijing Higher Court. The Beijing Higher Court heard the case on 16 July 2018, and currently has yet to render the judgment.

Dispute on Transaction of "12 China City Construction MTN2 Bonds"

The Company filed a lawsuit with the People's Court of Haidian District of Beijing Municipality (hereinafter referred to as the "**Haidian Court**") on 28 February 2017, requesting China City Construction to repay the interests of RMB11.10 million due on 19 December 2016 to the Company, and requesting China City Construction to pay for the liquidated damages as well as other expenses incurred for realizing the creditor's rights. This case was accepted by the Haidian Court on the same date of the filing of the lawsuit by the Company and the ruling on property preservation was made on 23 June 2017. The Haidian Court heard the case on 9 March 2018 and gave the first instance verdict on 29 March 2018 in favor of the claims of the Company in relation to interests, liquidated damages and expenses incurred for realizing the creditor's rights. On 23 April 2018, China City Construction filed an appeal with the Beijing First Intermediate Court. On 13 July 2018, the Beijing First Intermediate Court made the final ruling to dismiss the appeal of China City Construction. The Company applied for enforcement to the Haidian Court on 24 July 2018. Currently, the case is in the process of enforcement.

Meanwhile, the Company filed a lawsuit with the Beijing First Intermediate Court on 26 May 2017, requesting China City Construction to repay the bond principal of RMB200 million and corresponding interests of RMB4,865,753 ahead of due and to pay for other expenses incurred for realizing the creditor's rights. The Beijing First Intermediate Court accepted this case on 27 May 2017 and made the ruling on property preservation on 12 June 2017. The Beijing Second Intermediate Court heard the case on 14 March 2018 and gave the first instance verdict on 20 April 2018 in favor of the major claims of the Company (principal, interests, liquidated damages and litigation fee). On 4 May 2018, China City Construction appealed to the Beijing Higher Court. The Beijing Higher Court heard the case on 16 July 2018, and currently has yet to render the judgment.

The Company has made corresponding provision for impairment of the three bond transactions above.

Dispute Between the Company and YANG Hui on Labor Contract

On 12 June 2017, YANG Hui, a former employee of the Company, submitted an application for labor arbitration to the Labor Human Resources Disputes Arbitration Commission of Chaoyang District of Beijing Municipality (hereinafter referred to as the "**Chaoyang Labor Arbitration Commission**") in relation to the dispute on the labour contract, requesting for payment by the Company of salary, bonus and compensation for illegal termination of labor contract with a total amount of RMB14,572,600 (relevant background information of this case was contained in the Company's 2017 Interim Report). The Chaoyang Labor Arbitration Commission accepted the case on 19 June 2017. The Chaoyang Labor Arbitration Commission gave its arbitration ruling on 13 November 2017 against all claims made by YANG Hui, and the Company won the arbitration case. YANG Hui filed a lawsuit with the People's Court of Chaoyang District of Beijing Municipality (hereinafter referred to as the "**Chaoyang Court**") on 29 November 2017. The Chaoyang Court heard the case on 23 May 2018.

Dispute Between the Company and Zhifu Leather on Default on Private Bonds

On 29 April 2015, the Company initiated an arbitration at the China International Economic and Trade Arbitration Commission (hereinafter referred to as the "**CIETAC**") against Suqian Zhifu Leather Industry Co., Ltd. (hereinafter referred to as "**Zhifu Leather**") in relation to the default on private bonds, requesting Zhifu Leather to settle the principal and unpaid interests of the bonds totaling RMB46,090,000 together with the interests subsequently incurred, the liquidated damages and the expenses incurred for realizing the creditor's rights (relevant background information of this case was contained in the Company's 2015 Annual Report).

On 3 August 2015, the Company filed a lawsuit with the Third Intermediate People's Court of Beijing Municipality (hereinafter referred to as the "**Beijing Third Intermediate Court**") against Sino-Capital Guaranty Trust Company Limited (hereinafter referred to as "**Sino-Capital**"), and ZHOU Likang, the de facto controller of Zhifu Leather, for failure to fulfill the obligations as guarantors, requesting Sino-Capital and ZHOU Likang to assume their joint and several liabilities as guarantors to settle the principal and interests of the bonds totalling RMB46,090,000 as well as the interests subsequently incurred, the liquidated damages and the expenses incurred for realizing the creditor's rights. The Beijing Third Intermediate Court gave its first instance verdict in favor of the Company on 29 November 2017. On 2 May 2018, the Beijing Third Intermediate Court issued the enforcement judgement, ruling that enforcement actions be taken against Sino-Capital and ZHOU Likang. The Company has made corresponding provision for impairment of this transaction.

Dispute Between the Company and MENG Kai on the Default on a Private Asset Management Plan Managed by the Company

In May 2015, the Company applied to the People's Court of Futian District of Shenzhen (hereinafter referred to as the "**Futian Court**") for the realization of the security interests created by the pledge of 181,560,000 shares of *ST Cloud Live Technology Group held by MENG Kai for the breach of contract by MENG Kai (relevant background information of this case was contained in the Company's 2015 Interim Report). On 7 December 2017, the Futian Court made a notice of enforcement. On 23 June 2018, the Futian Court conducted judicial sale of 181,560,000 shares of *ST Cloud Live Technology Group under the name of MENG Kai, the person subject to enforcement, on the Taobao online judicial auction platform. A bidder purchased such shares on 24 June 2018 and the purchase money was subsequently wired to the account of the Futian Court. On 6 July 2018, the Futian Court issued the enforcement judgment, ruling to lift the freeze of 181.56 million shares of *ST Cloud Live Technology Group under the name of MENG Kai, the person subject to enforcement, and transfer the said shares to the bidder. The Company subsequently transferred the proceeds to the account designated by the trustor according to the trustor's request. On 30 July 2018, the Futian Court made a ruling of enforcement, and the case was closed.

Dispute Between the Company and HAO Feng on Margin Financing and Securities Lending Transaction

On 14 March 2018, the Company submitted an application for arbitration to the Beijing Arbitration Commission (hereinafter referred to as the "**BAC**"), requesting for the repayment by HAO Feng, a customer of the margin financing and securities lending business of the Company, of the debt resulting from the margin financing and securities lending transactions with a principal and interests totaling RMB19.176 million, and applied for a ruling on property preservation (relevant background information of this case was contained in the Company's 2018 First Quarterly Report). The BAC accepted the case on 23 March 2018. On 23 April 2018, the Beijing Third Intermediate Court issued the verdict of property preservation, and seized and froze the stocks and bank account of HAO Feng. The BAC heard the case on 22 May 2018. Currently, no ruling has been made. The Company has made corresponding provision for impairment of this transaction.

Disputes of the Company with Shanghai Sunho and National Business on the Pledged-repo of Bonds

On 26 January 2018, the Company entered into the Financing and Repurchase Entrustment Agreement for Pledged-repo Business and the Supplemental Agreement with Jacaranda Private Securities Investment Fund (hereinafter referred to as "**Jacaranda Private Fund**") managed by Shanghai Sunho Capital Management Co., Ltd. (hereinafter referred to as "**Shanghai Sunho**"), pursuant to which, the parties would carry out the pledged-repo business. On 6 March 2018, the CSDCC adjusted the standard settlement rate of the pledged bonds from 0.86 to 0.41, which led to an overdraft in the capital account of Jacaranda Private Fund. On 7 March 2018, the CSDCC adjusted the standard settlement rate of pledged bonds again from 0.41 to 0, which led to another overdraft in the capital account of Jacaranda Private Fund. The Company made an advancement of RMB98.70 million with its own funds to perform the guaranteed settlement obligations. Given that Jacaranda Private Fund failed to fulfil the repayment obligations and National Business Holdings Group Co., Ltd. (hereinafter referred to as "**National Business**") was the only trustor who had absolute control over the fund, the Company applied for arbitration to the BAC on 30 April 2018, requesting Shanghai Sunho and National Business to jointly assume the repayment obligations. The BAC accepted the case on 10 May 2018. The Company has made corresponding provision for impairment of this transaction.

Dispute Between the Company and DING Sheng on Margin Financing and Securities Lending Transaction

The Company entered into the Risk Disclosure Statement on Margin Financing and Securities Lending Transactions, as well as the Margin Financing and Securities Lending Business Contract with DING Sheng, a customer of the margin financing and securities lending business of the Company. After opening the account, DING Sheng conducted several margin financing and securities lending transactions. On 17 July 2017, the guarantee ratio of his credit account remained below the agreed close-out threshold as prescribed in the contract and he failed to provide additional collaterals as required by the contract. On 8 February 2018, the Company closed out the credit account of DING Sheng and the proceeds from the closing out fell short for repaying all financing contracts. As at 3 May 2018, outstanding principal and interests owed by DING Sheng to the Company totaled RMB15.773 million. On 11 May 2018, the Company submitted application materials to the BAC and applied for property preservation. On 28 May 2018, the BAC accepted the case. On 21 June 2018, the People's Court of Haimen issued the verdict of property preservation, and seized and froze the properties, equities, stocks and bank accounts of DING Sheng. The Company has made corresponding provision for impairment of this transaction.

Dispute Between the Company and HITHT on Margin Financing and Securities Lending Transaction

On 13 March 2017, Harbin Institute of Technology High-Tech Development Corporation (hereinafter referred to as "**HITHT**") and the Company entered into the Risk Disclosure Statement on Margin Financing and Securities Lending Transactions as well as the Margin Financing and Securities Lending Business Contract to conduct margin financing and securities lending business. HITHT also submitted the Letter of Undertaking to the Company on the same date, undertaking that it shall settle all liabilities of the credit account within three trading days since the "occurrence of special circumstances regarding the securities in its credit account including being taken risk warning measures by stock exchanges". On 3 May 2018, the SSE issued the delisting risk warning to the shares of *ST Gong Xin (formerly known as "Gong Da High-Tech", stock code: 600701) as held by HITHT in the credit account as stock collaterals. As agreed under the above-mentioned Letter of Undertaking, HITHT shall repay all the liabilities due to the Company on 8 May 2018, but it failed to do so. The Company made several attempts to collect the outstanding debt from HITHT but in vain. On 4 June 2018, the Company applied for arbitration to the BAC, requesting HITHT to repay the principal of RMB406.73 million, the corresponding interest, liquidated damages and other expenses incurred for realizing the creditor's rights, and applied for property preservation. On 8 June 2018, the BAC accepted the case. On 25 June 2018, the Beijing Third Intermediate Court made the ruling on property preservation and froze the credit account and general account opened by HITHT on 27 and 28 June 2018. The case is scheduled to be heard on 5 September 2018. The Company has made corresponding provision for impairment of this transaction.

Dispute on Real Property Between the Company and Huaqiao

In 1998, the Company acquired the property located on the 23rd floor of Huaqiao Tower, Nanjing (for details, please refer to the announcement published on 28 March 2014 on the SSE website) through an agreement. The seller of the property, namely Jiangsu Huaqiao Real Estate Development Co., Ltd. (hereinafter referred to as "**Huaqiao**"), has yet to assist the Company in obtaining the real estate ownership certificate. Given that Huaqiao went into bankruptcy proceedings recently, the Company, to safeguard its own interest, filed a lawsuit with the People's Court of Gulou District of Nanjing on 27 June 2018, requesting the court to recognize the Company as the legal owner of the property located on the 23rd floor of Huaqiao Tower in accordance with the laws, and to order Huaqiao to assist the Company in obtaining the real estate ownership certificate for the above property. On 28 June 2018, the court accepted the case (the value of the property concerned is approximately RMB17.50 million as confirmed by the court). The case is scheduled to be heard on 28 August 2018.

Dispute Between the Company and LIU Wei on Stock-pledge Repo Transaction

In October 2016 and October 2017, the Company entered into the Business Agreement on the Stock-pledge Repo Transaction and the Transaction Agreement with LIU Wei, pursuant to which, LIU Wei pledged the tradeable shares of Spearhead Integrated Marketing Communication Group (hereinafter referred to as "**Spearhead Group**", stock code: 300071) held by him to the Company for conducting the stock-pledge repo transaction with the Company. Due to the breach of contract by LIU Wei, the Company applied for the certificate of enforcement from the notary office and applied to the People's Court of Dongcheng District of Beijing Municipality (hereinafter referred to as the "**Dongcheng Court**") for compulsory enforcement, requesting LIU Wei to pay the outstanding principal of RMB20 million and the corresponding interests, liquidated damages, expenses incurred for realizing the creditor's rights and other fees. The Dongcheng Court accepted the case on 26 July 2018. The Company has made corresponding provision for impairment of this transaction.

Dispute Between the Company and SONG Chunjing on Stock-pledge Repo Transaction

In March 2017, the Company entered into the Business Agreement on the Stock-pledge Repo Transaction and the Transaction Agreement with SONG Chunjing, pursuant to which, SONG Chunjing pledged the tradeable shares of Spearhead Group held by her to the Company for conducting the stock-pledge repo transaction. Due to the breach of contract by SONG Chunjing, the Company applied for the certificate of enforcement from the notary office and applied to the Beijing First Intermediate Court for compulsory enforcement, requesting SONG Chunjing to pay the outstanding principal of RMB67 million and the corresponding interests, liquidated damages, expenses incurred for realizing the creditor's rights and other fees. The Beijing First Intermediate Court accepted the case on 2 August 2018. The Company has made corresponding provision for impairment of this transaction.

Dispute Between the Company and Daole Investment on Stock-pledge Repo Transaction

In November 2016, the Company entered into the Business Agreement on the Stock-pledge Repo Transaction and the Transaction Agreement with Shanghai Daole Investment Co., Ltd. (hereinafter referred to as "**Daole Investment**"), pursuant to which, Daole Investment pledged the tradeable shares of Jiangsu Hongtu High Technology Co., Ltd. (stock code: 600122) held by it to the Company for conducting the stock-pledge repo transaction with the Company. Due to the breach of contract by Daole Investment, the Company applied for the certificate of enforcement from the notary office and applied to the Second Intermediate People's Court of Shanghai (hereinafter referred to as the "**Shanghai Second Intermediate Court**") for compulsory enforcement, requesting Daole Investment to pay the outstanding principal of RMB92 million and the corresponding interests, liquidated damages, expenses incurred for realizing the creditor's rights and other fees. The Shanghai Second Intermediate Court accepted the case on 31 July 2018. Given that there were three guarantors which provided the joint and several liability guarantee for the above liabilities of Daole Investment, the Company filed a lawsuit with the Beijing Third Intermediate Court, requesting the aforementioned guarantors to assume the joint and several liabilities. The Beijing Third Intermediate Court accepted the case on 8 August 2018. The Company has made corresponding provision for impairment of this transaction.

Dispute Between the Company and Jinxin Industry on Stock-pledge Repo Transaction

In December 2016, the Company entered into the Business Agreement on the Stock-pledge Repo Transaction and the Transaction Agreement with Shanghai Jinxin Industry Co., Ltd. (hereinafter referred to as "**Jinxin Industry**"), pursuant to which, Jinxin Industry pledged the tradeable shares of Nan Jing Xin Jie Kou Department Store Co., Ltd. (stock code: 600682) held by it to the Company for conducting the stock-pledge repo transaction with the Company. Due to the breach of contract by Jinxin Industry, the Company applied for the certificate of enforcement from the notary office and applied to the Higher People's Court of Shanghai (hereinafter referred to as the "**Shanghai Higher Court**") for compulsory enforcement, requesting Jinxin Industry to pay the outstanding principal of RMB394.645 million and the corresponding interests, liquidated damages, expenses incurred for realizing the creditor's rights and other fees. The Shanghai Higher Court accepted the case on 31 July 2018. Given that there were three guarantors which provided the joint and several liability guarantee for the above liabilities of Jinxin Industry, the Company applied for arbitration to the BAC (against one guarantor) and filed a lawsuit with the Beijing Higher Court (against two guarantors), respectively, requesting the guarantors to assume the joint and several liabilities. The BAC and the Beijing Higher Court accepted the case on 2 August 2018 and 6 August 2018, respectively. The Company has made corresponding provision for impairment of this transaction.

Dispute Between the Company and Pingxiang Yingshun on Stock-pledge Repo Transaction

In November 2017, the Company entered into the Business Agreement on the Stock-pledge Repo Transaction and the Transaction Agreement with Pingxiang Yingshun Corporate Management Co., Ltd. (hereinafter referred to as "**Pingxiang Yingshun**"), pursuant to which, Pingxiang Yingshun pledged the tradeable shares of Europol Intelligent Network Co., Ltd. (stock code: 002711) held by it to the Company for conducting the stock-pledge repo transaction. Due to the breach of contract by Pingxiang Yingshun, the Company applied for the certificate of enforcement from the notary office and applied to the Intermediate People's Court of Foshan of Guangdong Province (hereinafter referred to as the "**Foshan Intermediate Court**") for compulsory enforcement, requesting Pingxiang Yingshun to pay the outstanding principal of RMB129.405 million and the corresponding interests, liquidated damages, expenses incurred for realizing the creditor's rights and other fees. The Foshan Intermediate Court accepted the case on 7 August 2018. Given that CHEN Lihao provided the joint and several liability guarantee for the above liabilities of Pingxiang Yingshun, the Company filed a lawsuit with the Beijing Third Intermediate Court, requesting CHEN Lihao to assume the joint and several guarantee liability. The Beijing Third Intermediate Court accepted the case on 30 July 2018. The Company has made corresponding provision for impairment of this transaction.

Dispute Between the Private Asset Management Plan Managed by the Company and Tianjin Pipe Plant and Tianjin Pipe Group on Two Financial Loan Agreements

The Private Asset Management Plan managed by the Company entered into two loan agreements with Tianjin Seamless Pipe Plant (hereinafter referred to as "**Tianjin Pipe Plant**") as the borrower, and Tianjin Pipe (Group) Corporation (hereinafter referred to as "**Tianjin Pipe Group**") provided the joint and several liability guarantee for the above loans. Given that the Tianjin Pipe Plant, i.e., the borrower, failed to fulfil the obligation to repay the principal and interest as agreed and Tianjin Pipe Group, i.e., the guarantor, failed to fulfil the guarantee obligation as agreed, the Company, as the manager of the private asset management plan, filed a lawsuit with the Fourth Intermediate People's Court of Beijing Municipality (hereinafter referred to as "**Beijing Fourth Intermediate Court**") against the borrower and the guarantor on 20 July 2018 as per the instruction of the trustor, requesting the borrower to repay the principal, interest, penalty interest and other fees totalling RMB207,926,616.36 and the guarantor to assume joint and several liabilities. The Company also applied for property preservation to the Beijing Fourth Intermediate Court. The court accepted the case and the application for property preservation on 4 July 2018.

Dispute on the Consulting Contract Between the Company and Landian Investment

On 16 March 2011, Shanghai Landian Investment Consultant Company Limited (hereinafter referred to as "**Landian Investment**") and the Company entered into the Agreement, pursuant to which, Landian Investment provided consulting services to the Company in respect of the restructuring and IPO project of a company. Landian Investment claimed that the Company failed to pay the consultancy fee in accordance with the Agreement, and therefore applied for arbitration to the BAC pursuant to the arbitration clause agreed under the Agreement, requesting the Company to pay the consultancy fee of RMB20,656,312 together with corresponding liquidated damages. The BAC accepted the case on 10 August 2018.

Dispute Between Jindingxin Microfinance and Business Jet Company on Breach of Contract

Since Qingdao Airlines Business Jet Co., Ltd. (hereinafter referred to as "**Business Jet Company**") failed to repay the principal and interests to Jindingxin Microfinance, a subsidiary of CITIC Securities (Shandong), on the repayment date, Jindingxin Microfinance initiated legal proceedings against Business Jet Company as the borrower, as well as Binzhou Pingtai Investment Management Co., Ltd. Shandong Huachang New Energy Co., Ltd., Binzhou Dagao Properties Co., Ltd. and YU Bin (the former legal representative of Business Jet Company) as guarantors assuming joint and several liabilities on 4 March 2015 in accordance with the laws to claim for repayment of approximately RMB14.6799 million. The Intermediate People's Court of Qingdao (hereinafter referred to as the "**Qingdao Intermediate Court**") accepted the case on the same day (relevant background information of this case was contained in the Company's 2016 Annual Report). On 7 February 2018, Jindingxin Microfinance applied for enforcement with the Qingdao Intermediate Court. As at 30 June 2018, Business Jet Company had repaid a portion of the principal, the interests and the lawyers' fee with a total amount of RMB6,370,000. Jindingxin Microfinance has made impairment provision in full.

Dispute on Breach of Contract Between GoldStone Investment and Wuhan Hongjin

Given the breach of contract by LU Shihai, the legal representative of Wuhan Hongjin Xulong New Material Co., Ltd. (hereinafter referred to as "**Wuhan Hongjin**"), GoldStone Investment filed a lawsuit with the Intermediate People's Court of Wuhan (hereinafter referred to as the "**Wuhan Intermediate Court**") on 8 October 2015, requesting LU Shihai to pay for a compensation of RMB36,660,204.53. The case was accepted by the Wuhan Intermediate Court on the following day (relevant background information of this case was contained in the Company's 2015 Annual Report). On 11 April 2016, GoldStone Investment received the civil judgment issued by the Wuhan Intermediate Court, ordering LU Shihai to pay a compensation of RMB36,660,204.53 to GoldStone Investment and to bear the litigation costs of RMB225,101. On 31 May 2018, GoldStone Investment received the Enforcement Verdict from the Wuhan Intermediate Court. The enforcement has ended given that the person subject to enforcement had no property available for enforcement. The case was closed. GoldStone Investment has made corresponding provision for impairment of this transaction.

Dispute on Compensation for Equity Transfer Between GoldStone Investment and QIU Xiaojie

In March 2010, GoldStone Investment invested in Hubei Jiezhixing Clothing and Accessories Company Limited (hereinafter referred to as "**Jiezhixing**") and acquired the equity interest in Jiezhixing (hereinafter referred to as the "**Target Equity**"). On 3 June 2016, GoldStone Investment transferred its Target Equity to third parties. On the same day, GoldStone Investment, QIU Xiaojie (the de facto controller of Jiezhixing) and Jiezhixing entered into the Agreement on the Relevant Matters Regarding Transfer of Equity Interest in Hubei Jiezhixing Sports Industry

Development Company Limited by QIU Xiaojie to GoldStone Investment Co., Ltd. (hereinafter referred to as the "**Compensation Agreement**"). Pursuant to the Compensation Agreement, QIU Xiaojie shall pay the compensation for equity transfer amounting to RMB27,010,587 to GoldStone Investment. As at March 2018, QIU Xiaojie had outstanding compensation for equity transfer and penalty interest due to GoldStone Investment. GoldStone Investment applied for arbitration to the BAC, requesting QIU Xiaojie and Jiezhixing to pay the relevant compensation for equity transfer of RMB 197,256,266 and preservation fees on a joint and several basis. The BAC has accepted the case on 23 May 2018. GoldStone Investment has made corresponding provision for impairment of this transaction.

Dispute on Breach of Contract Between GoldStone Investment and Chuanjiao Agriculture and Animal Husbandry

GoldStone Investment invested in Sichuanchuanjiao Agriculture and Animal Husbandry Science and Technology Co., Ltd. (hereinafter referred to as "**Chuanjiao Agriculture and Animal Husbandry**") on 18 June 2012 and acquired 3,300,000 shares of Chuanjiao Agriculture and Animal Husbandry (hereinafter referred to as the "**Target Equity**"). It was also agreed that if Chuanjiao Agriculture and Animal Husbandry was not listed before 31 December 2015, it shall repurchase the Target Equity held by GoldStone Investment. As at 31 December 2015, Chuanjiao Agriculture and Animal Husbandry was not listed. In 2016, GoldStone Investment entered into the Framework Agreement on Repurchase of Shares with LI Xuemei (李雪梅), LI Xuejie (李學杰), Chengdu Chuangyi Investment Management Co., Ltd. (成都創邑投資管理有限公司) and Chuanjiao Agriculture and Animal Husbandry (collectively referred to as the "**Covenanters**"). It was agreed that the Covenanters shall pay the consideration for transfer of the Target Equity to GoldStone Investment. On 3 July 2017, LI Shuzhong (together with the Covenanters, referred to as the "**Respondents**") issued a letter of guarantee unilaterally to GoldStone Investment, which provided guarantee for the payment obligations under the Framework Agreement on Repurchase of Shares. As the failure of the Respondents to pay the consideration for transfer of the Target Equity under the Framework Agreement on Repurchase of Shares constituted a breach of contract, GoldStone Investment applied for arbitration to the CIETAC on 13 June 2018 to safeguard its legitimate rights and interests, requesting the Respondents to pay fees including the consideration for transfer of the Target Equity of RMB 60,866,459.65 and preservation fees. The CIETAC has accepted the case on 25 July 2018. GoldStone Investment has made corresponding provision for impairment of this transaction.

Disputes Involving Zhongzheng Capital on Breach of Contract

CITIC Securities Capital Management Co., Ltd (hereinafter referred to as "**Zhongzheng Capital**"), a wholly-owned subsidiary of CITIC Futures, brought a lawsuit for breach of contract in the People's Court of Shenzhen Qianhai Cooperation Zone (hereinafter referred to as the "**Qianhai Court**") on 9 April 2015 against the counterparties to a thermal coal purchasing agency agreement and the case was accepted (relevant background information of this case was contained in previous periodic reports of the Company including the 2015 Annual Report).

The lawsuit proceeded by two separate proceedings. In respect of Litigation One, a written judgement of the second trial (final trial) was received on 26 July 2016 from the Intermediate People's Court of Shenzhen in favor of Zhongzheng Capital's claims. As at 30 June 2018, Zhongzheng Capital received fees totaled RMB15,813,121.70 during the enforcement process. Zhongzheng Capital entered into the Enforcement Settlement Agreement with the person subject to enforcement on 3 July 2018, and received the rest of the enforcement amount of RMB17,673,666.20 as agreed under the Enforcement Settlement Agreement. Zhongzheng Capital submitted an application for the relief from seizure and closing of the case to the court in accordance with the laws. On 13 July 2018, Zhongzheng Capital received the ruling from the Qianhai Court, and the enforcement of Litigation One was completed.

Labor Dispute Between CSI and WEI Li

Due to labor dispute, WEI Li, a former employee of CSI, filed a lawsuit with the Hong Kong Labour Tribunal (hereinafter referred to as the "**Labour Tribunal**"), requesting a payment of HK$42,782,192.99 from CSI (relevant background information of this case was contained in the Company's 2017 Annual Report). The first trial was held on 27 April 2017. On 24 January 2018, the Labour Tribunal transferred the case to the District Court for trial. On 27 March 2018, the District Court instructed to postpone the hearing again. On 14 May 2018, the District Court gave procedural directions regarding the case.

Punishment and Rectifications of the Company and its Directors, Supervisors, Senior Management, Controlling Shareholder, De Facto Controller and Acquirer

1. The Company was subject to the following administrative supervision and management measures by the regulatory authorities during the Reporting Period:

   On 22 May 2018, the CSRC issued the Decision Regarding the Regulatory Reporting Measures Taken against CITIC Securities Company Limited ([2018] No. 69) to the Company. It was decided in the aforementioned regulatory letter that the Company, as the sponsor of the initial public offering and listing of Ningxia Baofeng Energy Group Co., Ltd. (寧夏寶豐能源集團股份有限公司), had not been diligent and lacked the necessary professional prudence and strict standard over the application project.

   Before receiving the above-mentioned regulatory letter, the Company has issued a special investigation report on the relevant matters as required by the CSRC, and provided feedback to the CSRC on the rectification. The Company seriously criticized and educated the responsible personnel, and will also adopt corresponding accountability measures. The Company comprehensively conveyed the regulatory concept of strict compliance with the law, unified the ideological understanding of all the personnel of the sponsoring business, improved their professional capabilities and awareness of quality risks, strengthened quality control as well as internal approval and supervision. The Company will conduct business conscientiously to practically fulfill the responsibilities as a sponsor and avoid the recurrence of such incidents.

2. During the Reporting Period, none of the Company's Directors, Supervisors, Senior Management or the largest Shareholder was subject to investigations by competent authorities or enforcement actions by judiciary authorities or disciplinary departments or was brought before relevant judiciary authorities or prosecuted for criminal liabilities or subject to investigations or administrative punishments by the CSRC, or prohibitions from entering into the securities markets or was identified as an inappropriate person for the posts held or was punished by other administrative authorities or publicly censured by any stock exchange.

3. In 2015, the Company had announced that it received an investigation notice (Ji Cha Zong Dui Diao Cha Tong Zi No. 153121) from the CSRC. The scope of the investigation is in relation to the Company's suspected breach of Article 84 of the Regulations on the Supervision and Administration of Securities Companies, in the conduct of its margin financing and securities lending business by "failing to enter into business contracts with its customers in accordance with the relevant provisions" (the details are contained in the Company's announcements published on 26 November 2015 and 29 November 2015 on the HKEXnews website of HKEx). On 24 May 2017, the Company received the Prior Notification Letter of Administrative Punishment (Chu Fa Zi [2017] No. 57) from the CSRC in respect of the above investigation (the details are contained in the Company's announcement published on 24 May 2017 on the HKEXnews website of HKEx). As at the date of publication of the 2018 Interim Results Announcement of the Company, the Company has not received the official administrative penalty notice from the CSRC.

Credibility of the Company, its Controlling Shareholder and De Facto Controller During the Reporting Period

During the Reporting Period, neither the Company nor its largest Shareholder had unperformed enforceable court judgments or unpaid debts with larger sums at maturity.

Share Incentive Scheme, Employee Shareholding Plan or Other Employee Incentive Measures of the Company and Their Influences

The Company implemented a share incentive scheme in 2006. Please refer to China Securities Journal, Shanghai Securities News and Securities Times dated 7 September 2006 and the website of the SSE for details.

Material Related Party Transactions/Non-exempt Connected Transactions

Related Party Transactions/Non-exempt Connected Transactions in Relation to Day-to-day Operation

Related party/connected transactions between the Company and its subsidiaries and CITIC Group, its subsidiaries and associates

During the Reporting Period, the Company conducted related party/connected transactions in strict compliance with the Resolution in Relation to the Renewal of the Non-exempt Continuing Connected Transactions of the Company considered and approved at the 2017 First Extraordinary General Meeting, the Resolution on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business of the Company in 2018 considered and approved at the 2017 Annual General Meeting as well as the Securities and Financial Products Transactions and Services Framework Agreement, the Miscellaneous Services Framework Agreement and the Supplemental Agreement II to the Property Leasing Framework Agreement renewed/entered into between the Company and CITIC Group in February 2017 and the annual caps for the transaction amount for the three years ending 31 December 2019 as set out in the aforesaid agreements. Details of the implementation were as follows:

In RMB ten thousand

Related/ connected party	Class of related party/connected transactions	Annual caps for transactions in 2018	Actual transaction amount/ highest balance in a single day during January to June 2018	Percentage of the total amount of similar transactions (%)	Impact on the profit of the Company
CITIC Group and its associates	Net cash inflow derived from securities and financial products transactions (net of the amount of inter-financial institutions borrowings and repurchase agreements)	15,000,000	1,550,894	–	–
	Net cash outflow incurred for securities and financial products transactions (net of the amount of reverse repurchase agreements)	13,000,000	1,678,593	–	–
	Amount of inter-financial institutions borrowings	Not applicable[Note]	10,160,000	–	–
	Maximum daily balance (including interest) of repurchase agreements	2,250,000	193,500	–	–
	Maximum daily balance (including interest) of loans to inter-financial institutions and reverse repurchase agreements	500,000	49,941	–	–
	Income derived from securities and financial services	220,000	28,562	1.60	28,562
	Expenses incurred for securities and financial services	54,000	16,586	2.13	-16,586
	Income derived from miscellaneous services	700	60	0.01	60
	Expenses incurred for miscellaneous Services	41,000	8,128	0.71	-8,128
	Income derived from property leasing	5,500	1,547	11.96	1,547
	Expenses incurred for property leasing	8,000	2,092	5.24	-2,092

Note: Inter-financial institutions borrowings by the Company from CITIC Group and its associates bear interests at the prevailing interest rates pursuant to normal commercial terms in the interbank market and are not collateralized by the Company. Such inter-financial institutions borrowings are exempted continuing connected transactions under Rule 14A.90 of the Hong Kong Listing Rules and therefore no cap was set.

Related party/connected transactions between the Company and its subsidiaries and other related/connected parties

During the Reporting Period, the Company conducted related party/connected transactions in strict compliance with the Resolution on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business of the Company in 2018 considered and approved at the 2017 Annual General Meeting. Details of the implementation were as follows:

Related party transactions between the Company and its subsidiaries and the companies (excluding the subsidiaries of the Company) in which the Directors, Supervisors and the Senior Management of the Company hold positions as directors or the senior management

In RMB ten thousand

Related party	Class of related party transactions	Estimated transaction amount for the year 2018	Actual transaction amount during January to June 2018	Percentage of the total amount of similar transactions (%)	Impact on the profit of the Company
Hui Xian Asset Management Limited[Note 1]	Securities and financial products transactions	Calculated based on the actual transaction amount[Note 2]	–	–	–
Shandong Heavy Industry Group Company Limited[Note 1]	Securities and financial products transactions	Calculated based on the actual transaction amount[Note 2]	–	–	–
Shanghai Lujiazui Finance & Trade Zone United Development Co., Ltd.	Securities and financial products transactions	Calculated based on the actual transaction amount[Note 2]	–	–	–
Hui Xian Holding Limited	Securities and financial products transactions	Calculated based on the actual transaction amount[Note 2]	–	–	–
E-Capital Transfer Co., Ltd.	Expense	400	64.60	0.01	-64.60
	Securities and financial products transactions	Calculated based on the actual transaction amount[Note 2]	–	–	–

Note 1: The related party relationships between the Company and Hui Xian Asset Management Limited and Shandong Heavy Industry Group Company Limited were terminated on 21 March 2018.

Note 2: As the market condition of the securities market is unpredictable, it is difficult to estimate the transaction amounts. As approved by the 2017 Annual General Meeting of the Company, the amount of the above-mentioned securities and financial products transactions shall be calculated based on the actual transaction amount.

Related party/connected transactions entered into between the Company and companies which hold over 10% equity interest in the significant subsidiaries of the Company

In RMB ten thousand

Related/connected party	Class of related party/ connected transactions	Estimated transaction amount for the year 2018	Actual transaction amount during January to June 2018	Percentage of the total amount of similar transactions (%)	Impact on the profit of the Company
POWER CORPORATION OF CANADA	Income	600	214.97	Less than 0.01	214.97
MACKENZIE FINANCIAL CORPORATION	Expense	500	10.34	Less than 0.01	-10.34
Tianjin Haipeng Technology Investment Co., Ltd.	Securities and financial products transactions	Calculated based on the actual transaction amount[Note]	—	—	—

Note: As the market condition of the securities market is unpredictable, it is difficult to estimate the transaction amounts. As approved by the 2017 Annual General Meeting of the Company, the amount of the above-mentioned securities and financial products transactions shall be calculated based on the actual transaction amount.

Other related party/connected transactions

Bareboat Charter Contract entered into between CITIC Global Trade and Shanghai CITIC Shipping Corporation Limited

Pursuant to the Bareboat Charter Contract entered into between CITIC Global Trade, a wholly-owned subsidiary of CITIC Securities Investment, and Shanghai CITIC Shipping Corporation Limited, the rental income of the Company for the first half of 2018 amounted to RMB6.1715 million. For details of the approval of this related party/connected transaction, please see the 2014 Annual Report of the Company.

Matters Which Had not Been Disclosed in Interim Announcements

CLSA B.V. intends to, through its wholly-owned subsidiary, contribute USD7 million (holding a 70% equity interest) to establish a joint venture with a wholly-owned subsidiary of CITIC Limited, as an overseas fund investment platform. The joint venture intends, after its incorporation, to establish a mezzanine fund for cross-border mergers and acquisitions, and its general partner intends to subscribe for not more than USD5 million of partnership interests in the mezzanine fund. CITIC Limited is the controlling shareholder of CITIC Corporation Limited, which is the largest Shareholder of the Company, hence it is a connected/related party of the Company. The above transaction was approved by all independent non-executive Directors of the Company on 1 March 2018 and was filed with the SSE on the date of passing the resolution.

As the amount of the above-mentioned related party/connected transaction did not exceed 0.5% of the audited net assets of the Company as at 31 December 2016 (RMB713 million), and the highest applicable percentage ratio of the size tests calculated according to the Hong Kong Listing Rules did not exceed 0.1%, the transaction can be carried out after the approval by more than half of the independent non-executive Directors.

Related Party Credits and Debts

Unit: RMB

Related parties	Related party relationship	Funds provided to related parties: Balance at the beginning of the Reporting Period	Funds provided to related parties: Amount incurred	Funds provided to related parties: Balance at the end of the Reporting Period	Funds provided to the Company by related parties: Balance at the beginning of the Reporting Period	Funds provided to the Company by related parties: Amount incurred	Funds provided to the Company by related parties: Balance at the end of the Reporting Period
Subsidiaries of CITIC Group	Shareholder's subsidiary	579,965,673.60	-97,420,557.54	482,545,116.06	8,975,091.30	-3,095,179.91	5,879,911.39
Total		579,965,673.60	-97,420,557.54	482,545,116.06	8,975,091.30	-3,095,179.91	5,879,911.39
Cause of the related party credits and debts		Mainly referring to other receivables and payables occurring with the above-mentioned related parties					
Impact of the related party credits and debts on the Company's operating results and financial positions		No adverse effect					

Others

Guarantees provided by related/connected parties to the Company

In 2006, the Company issued RMB-denominated corporate bonds in an amount of RMB1,500 million for a term of 15 years, which are guaranteed by CITIC Group. The guarantee was inherited by CITIC Corporation Limited according to the reorganization agreement of CITIC Group. As at the end of the Reporting Period, the guarantee provided by CITIC Corporation Limited to the Company amounted to a total of RMB1,500 million.

Guarantees

During the Reporting Period, the total amount of guarantees provided by the Company and its subsidiaries to subsidiaries was RMB2,807 million. As at the end of the Reporting Period, the total balance of guarantees provided by the Company was RMB51,746 million, all of which were guarantees provided by the Company and its subsidiaries to subsidiaries, representing 34.49% of the equity attributable to owners of the parent company as at the end of the Reporting Period.

Guarantees Provided by the Company

In 2013, according to the resolution approved at the 12th Meeting of the Fifth Session of the Board, the Company agreed to provide a counter guarantee in favour of Bank of China in relation to the standby letter of credit issued by Bank of China Macau Branch in respect of the first tranche of offshore bonds issued by CITIC Securities Finance 2013 Co., Ltd, a subsidiary of the Company, for an amount of the counter guarantee of USD902 million (equivalent to approximately RMB5,968 million), covering the principal, interests and other related fees of the bonds. The guarantee is a joint and several liability guarantee and had been terminated on 3 May 2018.

In 2014, according to the resolution approved at the 2013 Annual General Meeting, the duly authorized small group approved the provision of an unconditional and irrevocable guarantee on a joint and several basis for repayment obligations under each batch of notes to be issued pursuant to an overseas medium-term notes program set up by CITIC Securities Finance MTN, an indirect wholly-owned subsidiary of the Company. The scope of the guarantee includes the principal, interest and other contingent payables. On 30 October 2014, CITIC Securities Finance MTN made its first drawdown and issuance of this medium-term notes program in the amount of USD650 million which was unconditionally and irrevocably guaranteed by the Company on a joint and several basis. In 2015, CITIC Securities Finance MTN made eight drawdowns under the medium-term notes program with an issue size amounting to USD439.68 million in aggregate, which was unconditionally and irrevocably guaranteed by the Company on a joint and several basis. On 11 April 2017, CITIC Securities Finance MTN made a drawdown under the medium-term notes program with an issue size amounting to USD800 million, including USD300 million of three-year notes and USD500 million of five-year notes.

In 2015, the Company provided security guarantee with an amount of RMB5,000 million in favor of GoldStone ZeXin, an indirect wholly-owned subsidiary of the Company, in its application for fixed asset loans.

In 2018, the Company provided an unconditional and irrevocable guarantee for the Euro-commercial papers project established by CITIC Securities Finance MTN, an indirect subsidiary of the Company, in accordance with the resolution of the 2016 Annual General Meeting and approval by the management of the Company. The guarantee period was from 4 May 2018 to 4 May 2023 and the guarantee amount was USD3 billion. In 2018, CITIC Securities Finance MTN issued two tranches of Euro-commercial papers with a total issuance size of USD170 million, which were unconditionally and irrevocably guaranteed by the Company on a joint and several basis.

Guarantees Provided by Subsidiaries

During the Reporting Period, among all the subsidiaries of the Company, CSI and its wholly-owned subsidiary CLSA B.V. had provided guarantees for the benefits of the relevant subsidiaries of CSI and CLSA B.V. in connection with their business operations in securities brokerage and capital market activities, which mainly support a medium term note program, bilateral lines, overdraft facilities and syndicated loan facilities. The aggregate guaranteed amount of the above guarantees was RMB33,118 million as at 30 June 2018.

In addition, CSI and CLSA B.V. have issued unlimited guarantees for various International Swaps and Derivatives Association (ISDA) agreements, Global Master Repurchase agreements (GMRA), Global Master Securities Lending agreements (GMSLA) and Broker-Dealer agreements. The above-mentioned unlimited guarantees have been issued in accordance with normal international banking or capital market practices, they allow the banks and other financial institutions with which CSI, CLSA B.V. and their subsidiaries deal with to support large market events and fluctuating requirements, therefore ensuring CSI, CLSA B.V. and their subsidiaries are not unnecessarily constrained in the normal course of business. Quantifying the maximum exposure underlying such unlimited guarantees are impracticable, however since both CSI and CLSA B.V. are limited companies therefore the absolute maximum exposure of these guarantees in aggregate would alternatively be limited to the respective net asset values of CSI and CLSA B.V..

Interim Dividend

The Company does not distribute any interim dividends for 2018.

Repurchase, Sale or Redemption of the Securities of the Company

During the Reporting Period, neither the Company nor its subsidiaries had repurchased, sold or redeemed any of the securities of the Company.

Audit Committee Review

The Audit Committee of the Board had reviewed the unaudited interim financial statements and the interim report of the Company for the six months ended 30 June 2018, and did not raise any objection to the accounting policies and practices adopted by the Company.

Other Significant Events and Events after Reporting Period

Changes to Securities Business Outlets

The Company

During the Reporting Period, the Company transformed four securities outlets into branch offices, and completed same-city relocation of two branches.

Details of the transformation and relocation of branch offices and securities outlets are as follows:

No.	Original name of branches	Current name of branches	Address after relocation
1	Jiaxing Jiyang Road Securities Outlet	Jiaxing Branch Office	North Side of 1/F, 6/F and 7/F, Commercial and Office Complex at the intersection of Zhongshan Road and Jishui Road, Nanhu District, Jiaxing, Zhejiang Province
2	Jinhua Zhongshan Road Securities Outlet	Jinhua Branch Office	(Not relocated)
3	Shaoxing Yuewangcheng Securities Outlet	Shaoxing Branch Office	(Not relocated)
4	Taizhou Fuzhong Road Securities Outlet	Taizhou Branch Office	(Not relocated)
5	Heilongjiang Branch Office	Heilongjiang Branch Office	21/F, No. 236 Hongqi Avenue, Nangang District, Harbin

Currently, the Company has 33 branch offices and 207 securities outlets.

CITIC Securities (Shandong)

During the Reporting Period, CITIC Securities (Shandong) established one new securities outlet, namely Xinxiang Renmin Road Securities Outlet; transformed two securities outlets into branch offices including changing Qingdao West Donghai Road Securities Outlet to Qingdao Branch Office, Weifang Siping Road Securities Outlet to Weifang Branch Office, and completed same-city relocation of the Taian Changcheng Road Securities Outlet and Zhengzhou Huanghe Road Securities Outlet.

Details of the new securities outlet is as follows:

No.	Name of the new securities outlet	Address of the securities outlet
1	Xinxiang Renmin Road Securities Outlet	Shop 104 and 105, 1# Runhua Jade City, No. 185 Renmin Road, Hongqi District, Xinxiang, Henan Province

Details of the relocation of securities outlets are as follows:

No.	Name before relocation	Name after relocation	Address before relocation	Address after relocation
1	Taian Changcheng Road Securities Outlet	Taian Changcheng Road Securities Outlet	Tian Long International Building, No. 96 Changcheng Road, Daiyue District, Taian, Shandong Province	Unit 107 and Unit 207, Block A, Commercial Office Building, Taishan Homeland, No. 96 Changcheng Road, Taian, Shandong Province
2	Zhengzhou Weiwu Road Securities Outlet	Zhengzhou Huanghe Road Securities Outlet	No. 16 Weiwu Road, Jinshui District, Zhengzhou	1/F, 2/F Frontage Commercial Property, No. 109 Courtyard, Huanghe Road, Jinshui District, Zhengzhou

Currently, CITIC Securities (Shandong) has 6 branch offices and 64 securities outlets.

CITIC Futures

During the Reporting Period, CITIC Futures did not establish new outlets; 21 branches were renamed and 5 branches completed same-city relocation. Details of changes are as follows:

Details of change of name of branches are as follows:

Name before the change	Name after the change	Date of change
Jinan Outlet of CITIC Futures Company Limited	Jinan Branch Office, CITIC Futures Company Limited	2018-1-23
Zhengzhou Outlet of CITIC Futures Company Limited	Henan Branch Office, CITIC Futures Company Limited	2018-1-23
Guiyang Outlet of CITIC Futures Company Limited	Guizhou Branch Office, CITIC Futures Company Limited	2018-1-29
Wuxi Outlet of CITIC Futures Company Limited	Wuxi Branch Office, CITIC Futures Company Limited	2018-1-29
Wuhu Outlet of CITIC Futures Company Limited	Wuhu Branch Office, CITIC Futures Company Limited	2018-1-30
Shanghai CITIC Plaza Outlet of CITIC Futures Company Limited	Shanghai CITIC Plaza Branch Office, CITIC Futures Company Limited	2018-1-31
Nanning Outlet of CITIC Futures Company Limited	Guangxi Branch Office, CITIC Futures Company Limited	2018-2-1
Shanghai Century Avenue Outlet of CITIC Futures Company Limited	Shanghai Pudong Branch Office, CITIC Futures Company Limited	2018-2-1
Changsha Outlet of CITIC Futures Company Limited	Hunan Branch Office, CITIC Futures Company Limited	2018-2-1
Nanchang Outlet of CITIC Futures Company Limited	Jiangxi Branch Office, CITIC Futures Company Limited	2018-2-5
Baotou Outlet of CITIC Futures Company Limited	Inner Mongolia Branch Office, CITIC Futures Company Limited	2018-2-6
Dalian Outlet of CITIC Futures Company Limited	Dalian Branch Office, CITIC Futures Company Limited	2018-2-6
Zibo Outlet of CITIC Futures Company Limited	Zibo Branch Office, CITIC Futures Company Limited	2018-2-7
Beijing Outlet of CITIC Futures Company Limited	Beijing Dongcheng Branch Office, CITIC Futures Company Limited	2018-2-8
Chengdu Outlet of CITIC Futures Company Limited	Sichuan Branch Office, CITIC Futures Company Limited	2018-2-8
Ningbo Yinzhou Outlet of CITIC Futures Company Limited	Ningbo Branch Office, CITIC Futures Company Limited	2018-2-9
Xiamen Outlet of CITIC Futures Company Limited	Xiamen Branch Office, CITIC Futures Company Limited	2018-2-11
Chongqing Outlet of CITIC Futures Company Limited	Chongqing Branch Office, CITIC Futures Company Limited	2018-2-12

Name before the change	Name after the change	Date of change
Shanghai Pudian Road Outlet of CITIC Futures Company Limited	Shanghai Futures Building Outlet, CITIC Futures Company Limited	2018-3-1
Urumqi Outlet of CITIC Futures Company Limited	Xinjiang Branch Office, CITIC Futures Company Limited	2018-3-13
Hangzhou Yan'an Road Outlet of CITIC Futures Company Limited	Hangzhou Xiaoshan Branch Office, CITIC Futures Company Limited	2018-4-26

Details of the relocation of branches are as follows:

Name of branches	Address before relocation	Address after relocation	Date of relocation
Sichuan Branch Office	Unit 9, 26/F, Building No. 4, No. 666 Jincheng Avenue, Hi-tech Industrial Development Zone, Chengdu	No. 1, 12/F, East Wing, La Defense, No. 1480 North Section of Tianfu Avenue, Hi-tech Industrial Development Zone, Chengdu, China (Sichuan) Pilot Free Trade Zone	2018-2-8
Wuhu Branch Office	Suite 2101, Taixin Business Center, Yijiang District, Wuhu	Room 1707, Weixing Times Financial Center, Jinghu District, Wuhu	2018-4-19
Northeast Branch Office	Room 0801, No. 11 Wenyi Road, Heping District, Shenyang	Room 0801 and 0803, No. 11 Wenyi Road, Heping District, Shenyang	2018-4-19
Hangzhou Xiaoshan Branch Office	Room 1117, 11/F, Guo Xin Building, No. 515 Yan'an Road, Xiacheng District, Hangzhou	Room 909-917, 9/F Block C, New Century Plaza, Chengxiang Road, Xiaoshan District, Hangzhou, Zhejiang Province	2018-4-26
Shanghai Branch Office	Unit 02 and 03, 23/F, No. 799 South Yanggao Road, China (Shanghai) Pilot Free Trade Zone	Unit 03, 22/F and Unit 02, 23/F, No. 799 South Yanggao Road, China (Shanghai) Pilot Free Trade Zone	2018-5-17

Currently, CITIC Futures has 43 branches, 38 of which are branch offices and 5 of which are futures outlets.

CSI

During the Reporting Period, there were no changes in the branches of CSI. Currently, CSI has four branches.

Kington Securities

During the Reporting Period, there were no changes in the branches of Kington Securities. Currently, Kington Securities has two securities outlets.

Subsequent Progress of Matters Previously Announced

Transfer of 12.7399% Equity Interest in Qianhai Equity Exchange

According to the Resolution in relation to the Transfer of 12.7399% Equity Interest in Qianhai Equity Exchange (Shenzhen) Co., Ltd. that was considered and approved at the Eighth Meeting of the Six Session of the Board held on 17 February 2017, the Company had completed the transfer of the above-mentioned equity interest on 11 May 2017 and the registration of such change with the industrial and commercial administration authority was completed on 9 April 2018.

Transfer of 4.5657% Equity Interest in ECT Held by the Company and its Subsidiaries

According to the Resolution in relation to the Transfer of 4.5657% Equity Interest in E-Capital Transfer Co., Ltd. Held by the Company and its Subsidiaries that was considered and approved at the Eighth Meeting of the Six Session of the Board held on 17 February 2017, the Company had completed the listing of the above-mentioned equity interest on China Beijing Equity Exchange on 2 June 2017. Given that no interested transferee was procured and the one-year authorization granted by the Board to the management of the Company had expired, the above-mentioned equity interest was automatically delisted from the China Beijing Equity Exchange on 31 May 2018.

Others

Twenty-fifth Meeting of the Sixth Session of the Board

The following matters were considered and approved at the Twenty-fifth Meeting of the Sixth Session of the Board held on 15 June 2018:

(1) The Resolution in Relation to not Exercise the Right of First Refusal Regarding 20% Equity Interest in Qingdao Blue Ocean Equity Exchange Co., Ltd, pursuant to which, it was agreed that Guosen Securities Co., Ltd. would transfer its 20% equity interest in Qingdao Blue Ocean Equity Exchange Co., Ltd. and that the Company will not exercise the right of first refusal regarding the above-mentioned equity interest proposed to be transferred.

(2) The Resolution in Relation to Establishment of the Internal Audit Department of the Company, pursuant to which, it was agreed to establish the internal audit department for the purpose of the internal audit of the investment banking business. The internal audit department would serve as the auditor division at the Company level for the exit management and terminal risk control of investment banking projects. Pursuant to the resolution, the Company established the internal audit department on 28 June 2018.

Twenty-sixth Meeting of the Sixth Session of the Board

The Resolution in Relation to not exercise the Right of First Refusal Regarding 13% Equity Interest in CITIC Private Equity Funds Management Company Limited was considered and approved at the Twenty-Sixth Meeting of the Sixth Session of the Board held on 6 July 2018, pursuant to which, it was agreed that Erdos Yitai Investment Holdings Company Limited (鄂爾多斯市伊泰投資控股有限責任公司) would transfer its 13% equity interest in CITIC PE Fund and that the Company will not exercise the right of first refusal regarding the above-mentioned equity interest proposed to be transferred.

Twenty-seventh Meeting of the Sixth Session of the Board

On 27 July 2018, the Twenty-seventh Meeting of the Sixth Session of the Board considered and approved the Resolution in Relation to the Capital Increase in Kington Securities Limited Liability Company, pursuant to which, it was agreed to increase the capital of Kington Securities by RMB35 million for replenishing the net capital of Kington Securities, and to authorise the management of the Company to deal with, at its sole discretion, all relevant procedures related to the capital increase on the condition that all the risk control indicators of the parent company are in line with the regulatory requirements. As at the date of publication of the 2018 Interim Results Announcement of the Company, the formalities of capital increase are in process.

No Objection from the CSRC to the Application for First Class OTC Option Dealer Qualification by the Company

In 2014, the Company received the Letter on the Confirmation of the Filing of Financial Derivative Business Plan (Zhong Zheng Xie Han [2014] No. 18) from the Securities Association of China for the filing of the OTC option business plan of the Company. On 1 August 2018, the Company received the Letter of No Objection to the Application for the First Class OTC Option Dealer Qualification by CITIC Securities (Ji Gou Bu Han [2018] No. 1784) from the CSRC. Pursuant to the letter, the CSRC had no objection to the application for the First Class OTC Option Dealer Qualification by the Company.

Use of New Company Logo

To further regulate the use of the CITIC brand and to unify the CITIC brand image, the Company amended its visual identity regulations on 11 July 2018. From the date of publication of the 2018 Interim Results Announcement of the Company, the Company will use the following new logo for announcements and other corporate communication (including but not limited to periodic reports, notice, circular and proxy form of the Company) to be published by the Company:

中信证券股份有限公司
CITIC Securities Company Limited

Meanwhile, the Company still reserves the license to use the following original company logo:

中信证券股份有限公司
CITIC Securities Company Limited

The use of the new company logo for announcements and other corporate communication to be published by the Company will not affect any rights of the shareholders of the Company. Following the use of new company logo, all share certificates of the Company in issue will continue to be effective and be considered as documents of title to the shares of the Company, and will continue to be valid for trading, settlement, registration and delivery purposes. The Company will not arrange for any free exchange of existing share certificates for new share certificates as a result of the use of the new company logo.

Classification of the Company by Regulatory Authorities

In the 2018 classification assessment of securities companies, the Company, together with its securities subsidiaries, CITIC Securities (Shandong) and Kington Securities, were jointly classified as AA level of the A class in the PRC's securities industry.

As at the date of publication of the 2018 Interim Results Announcement of the Company, there was no subsequent event with material impact on the Company and its subsidiaries.

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

Share Capital Structure

The share capital structure of the Company as at 30 June 2018 was as follows:

Name of Shareholders	Type of Shares	Number of Shares (Shares)	Percentage of the total number of Shares (%)
CITIC Group Corporation	A Shares	1,999,695,746	16.50
Public holders of A Shares	A Shares	7,838,884,954	64.69
Public holders of H Shares	H Shares	2,278,327,700	18.80
Total	—	12,116,908,400	100.00

Note: The Shareholding percentage of each of the Shareholders listed above is rounded to two decimal places.

During the Reporting Period, there were no changes in the total number of Shares or the share capital structure of the Company.

Information on Shareholders

Total number of Shareholders of the Company as at 30 June 2018: 561,860 Shareholders, including 561,705 A Shareholders and 155 registered H Shareholders.

Shareholdings of the Top 10 Shareholders as at the End of the Reporting Period

Unit: Shares

Shareholdings of the top 10 Shareholders							
Name of Shareholders (Full Name)	Change during the Reporting Period	Number of Shares held as at the end of the period	Percentage (%)	Number of Shares held subject to trading moratorium	Shares pledged or frozen Status	Shares pledged or frozen Number	Nature of the Shareholder
HKSCC Nominees Limited[Note 1]	30,500	2,277,350,817	18.79	–	Unknown	–	Foreign legal person
CITIC Corporation Limited	–	1,999,695,746	16.50	–	Nil	–	State-owned legal person
China Securities Finance Corporation Limited	-10,348,437	583,378,197	4.81	–	Nil	–	Unknown
China Life Insurance Company Limited – Traditional – General Insurance Products – 005L – CT001Hu	–	310,054,938	2.56	–	Nil	–	Domestic non state-owned legal person
Central Huijin Asset Management Corporation Limited	–	198,709,100	1.64	–	Nil	–	State-owned legal person
Hong Kong Securities Clearing Company Limited[Note 2]	29,550,676	161,628,256	1.33	–	Nil	–	Foreign legal person
Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Program	-8,545,783	131,618,017	1.09	–	Nil	–	Unknown
China AMC Fund – Agricultural Bank – China AMC China Securities and Financial Assets Management Program	-17,799,803	122,363,997	1.01	–	Nil	–	Unknown
Zhong Ou Fund – Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Program	-22,093,100	118,070,700	0.97	–	Nil	–	Unknown
GF Fund – Agricultural Bank – GF China Securities and Financial Assets Management Program	-22,222,001	117,941,799	0.97	–	Nil	–	Unknown

Note 1: HKSCC Nominees Limited is the nominal holder of the Shares held by non-registered H Shareholders.

Note 2: The Shares held by Hong Kong Securities Clearing Company Limited refer to Shares held by non-registered Shareholders of northbound of the Shanghai-Hong Kong Stock Connect.

Note 3: Nature of A Shareholders represents the nature of account held by A Shareholders with the Shanghai branch of CSDCC.

Note 4: The shareholdings listed here were extracted from the register of members of the Company as at 30 June 2018.

Note 5: As the Shares could be used as underlying securities for margin financing and securities lending, the shareholdings of the Shareholders are the aggregate of all the Shares and interests held in ordinary securities accounts and credit securities accounts.

Shareholdings of the Top 10 Holders of Tradable Shares not Subject to Trading Moratorium as at 30 June 2018

Unit: Shares

Name of Shareholder	Number of tradable Shares held not subject to trading moratorium	Class of Shares
HKSCC Nominees Limited	2,277,350,817	Overseas-listed foreign shares
CITIC Corporation Limited	1,999,695,746	RMB ordinary Shares
China Securities Finance Corporation Limited	583,378,197	RMB ordinary Shares
China Life Insurance Company Limited – Traditional – General Insurance Products – 005L – CT001Hu	310,054,938	RMB ordinary Shares
Central Huijin Asset Management Corporation Limited	198,709,100	RMB ordinary Shares
Hong Kong Securities Clearing Company Limited	161,628,256	RMB ordinary Shares
Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Program	131,618,017	RMB ordinary Shares
China AMC Fund – Agricultural Bank – China AMC China Securities and Financial Assets Management Program	122,363,997	RMB ordinary Shares
Zhong Ou Fund – Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Program	118,070,700	RMB ordinary Shares
GF Fund – Agricultural Bank –GF China Securities and Financial Assets Management Program	117,941,799	RMB ordinary Shares
Details of related party or concert party relationship among the above Shareholders	The Company is unaware of whether there is any related party/connected relationship among the above Shareholders, or they are parties acting in concert.	

Shareholdings of the Shareholders Subject to Trading Moratorium as at 30 June 2018

Unit: Shares

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 eligible for listing and trading	Listing and trading of Shares subject to trading moratorium: Number of Shares newly eligible for listing and trading	Terms of trading moratorium
Incentive Shares held under custody and others	23,919,000	To be determined after the implementation of the incentive share scheme	—	To be determined after the implementation of the incentive share scheme

Largest Shareholder of the Company

The largest Shareholder of the Company is CITIC Corporation Limited. As at 30 June 2018, it directly held 16.50% of the Shares of the Company.

Interests and Short Positions of Substantial Shareholders

Pursuant to Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), substantial Shareholders are required to disclose their interests, and are required to make further disclosure when the changes of their interest reached the prescribed threshold. The following table is derived from the latest interest information disclosed by the substantial Shareholders on the HKEXnews website of HKEx as at 30 June 2018. As they are only required to disclose the change of their interests when it reaches a certain prescribed threshold, the information set out in the following table may be inconsistent with their actual interests as at 30 June 2018.

Name of Shareholder	Capacity	Class of Shares	Number of Shares (Shares)/ type of Shares held	Percentage of the number of A Shares/H Shares as at 30 June 2018 (%)[Note 6]	Percentage of total Shares of the Company as at 30 June 2018 (%)[Note 6]
CITIC Group Corporation	Interest of controlled corporations of the major shareholder[Note 1]	A Shares	1,999,695,746/Long positions	20.33	16.50
National Council for Social Security Fund	Beneficial owner	H Shares	690,359,200[Note 2]/Long positions	30.30	5.70
The Bank of New York Mellon Corporation	Interest of corporation controlled by you[Note 3]	H Shares	284,095,840/Long positions	12.47	2.34
			280,373,840/Shares available for lending	12.31	2.31
Citigroup Inc.	Person having a security interest in shares Interest of corporation controlled by you Approved lending agent	H Shares	196,565,692[Note 4]/Long positions	8.63	1.62
			2,098,585[Note 4]/Short positions	0.09	0.02
			173,076,505[Note 4]/Shares available for lending	7.60	1.43
GIC Private Limited	Investment manager	H Shares	160,236,873/Long positions	7.03	1.32
BlackRock, Inc.	Interest of corporation controlled by you[Note 5]	H Shares	149,219,367/Long positions	6.55	1.23
			7,467,500/Short positions	0.33	0.06

Note 1: CITIC Group indirectly held 1,999,695,746 A Shares of the Company through its controlled corporations including CITIC Limited and CITIC Corporation Limited.

Note 2: According to the notices of disclosure of interests on the HKEXnews website of HKEx, the National Council for Social Security Fund held 690,359,200 H Shares of the Company, including a total of 640,000,000 H Shares to be subscribed for under the subscription agreement signed with ICBC Credit Suisse Asset Management (International) Company Limited and the subscription agreement signed with Bosera Asset Management Company Limited and Bosera Asset Management (International) Company Limited on 8 June 2015. The above private placement of H Shares was considered and approved at the 2015 Second Extraordinary General Meeting of the Company and is yet to take place. The resolution had expired on 24 August 2016.

Note 3: The Bank of New York Mellon Corporation indirectly held a long position in 284,095,840 H Shares of the Company through its controlled corporation (The Bank of New York Mellon), of which 280,373,840 Shares were available for lending.

Note 4: Citigroup Inc., through a series of its controlled corporations, indirectly held a long position in 196,565,692 H Shares of the Company, of which 173,076,505 Shares were held in the capacity of approved lending agent, and a short position in 2,098,585 H Shares of the Company.

Note 5: BlackRock, Inc. indirectly held the relevant interests and short positions through a series of its controlled corporations.

Note 6: The relevant percentages are calculated based on 2,278,327,700 H Shares or 9,838,580,700 A Shares of the Company in issue as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, our Directors were not aware of any other persons (other than Directors, Supervisors and the Chief Executive) had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register to be kept under Section 336 of the Securities and Futures Ordinance.

Changes in Shareholdings of Directors, Supervisors and Senior Management

During the Reporting Period, there was no change in the shareholdings of incumbent Directors, Supervisors and Senior Management or those who resigned during the Reporting Period.

Changes of Directors, Supervisors and Senior Management During the Reporting Period

Name	Position	Change
LI Fang	Former chairman of the Supervisory Committee	Resigned
LEI Yong	Convener of the Supervisory Committee	Being elected

Note 1: For reaching his statutory retirement age, Mr. LI Fang, the former chairman of the Supervisory Committee of the Company, submitted the Resignation Letter to the Supervisory Committee on 9 February 2018 for his resignation from the positions as a non-employee representative Supervisor of the Sixth Session of the Supervisory Committee and the chairman of the Supervisory Committee. Mr. LI Fang's resignation took effect from the date when his Resignation Letter was delivered to the Supervisory Committee (i.e. 9 February 2018). Upon consideration and approval at the Tenth Meeting of the Sixth Session of the Supervisory Committee held on the same day, Mr. LEI Yong, an employee representative Supervisor, was elected as the convener of the meetings of the Sixth Session of the Supervisory Committee, with a term up to the date of appointment of the new chairman of the Supervisory Committee or the date of completion of the re-election of the Supervisory Committee.

Note 2: The Resolution in relation to the Change of Non-executive Director was considered and approved at the 2017 Annual General Meeting of the Company held on 26 June 2018. Mr. KUANG Tao will formally serve as a non-executive Director of the Company upon obtaining the approval on his qualification for serving as a director of a securities company. The resignation of Mr. CHEN Zhong from his position as a non-executive Director of the Company shall take effect when the qualification of Mr. KUANG Tao for serving as a director of a securities company being approved by the local branch of the CSRC.

Note 3: On 26 June 2018, the 2017 Annual General Meeting of the Company considered and approved the Resolution in relation to the Election of Mr. LIU Hao as the Supervisor of the Company. Mr. LIU Hao will formally serve as a Supervisor of the Company upon obtaining the approval on his qualification for serving as a supervisor of a securities company.

Note 4: On 25 January 2018, the Twenty-First Meeting of the Sixth Session of the Board of the Company considered and approved the proposed appointment of Mr. YE Xinjiang, Mr. JIN Jianhua, Mr. SUN Yi and Mr. GAO Yuxiang as members of Senior Management of the Company. Mr SUN Yi has obtained the approval on his qualification for serving as senior management of a securities company on 6 August 2018 and formally served as a member of the Senior Management of the Company. The appointments of other proposed members of the Senior Management as mentioned above are still subject to their obtaining of qualifications for serving as senior management of a securities company (details are contained in the Company's announcement published on 15 August 2018 on the HKEXnews website of HKEx and the announcement published on the following day on the SSE website).

Number, Remuneration and Training Programmes of Employees

As at 30 June 2018, the Group had a total number of 15,780 employees (including brokers and despatched staffs), of which 9,321 (including brokers and despatched staffs) were employees of the Company.

During the Reporting Period, there was no change in the remuneration policy and training programmes of the Company as compared with the disclosures in the 2017 Annual Report of the Company.

Directors', Supervisors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Its Associated Corporations

As at 30 June 2018, the following persons had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance), which were required, pursuant to Section 352 of the Securities and Futures Ordinance, to be entered into the register referred to therein, or required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (hereinafter referred to as the "**Model Code**") set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange as follows:

Name	Position	Nature of interest	Class of Shares	Number of Shares held (Shares)	Percentage of total number of Shares of the Company (%)
ZHANG Youjun	Chairman and Executive Director	Personal Interest	A Shares	374	0.000003
LEI Yong	Supervisor	Personal Interest	A Shares	483,285	0.004
YANG Zhenyu	Supervisor	Personal Interest	A Shares	81,000	0.001

Pursuant to the Securities and Futures Ordinance, the chief executive who was required to disclose his interests to the Hong Kong Stock Exchange was the President of the Company and did not include other Senior Management. In addition, as at 30 June 2018, no other Directors, Supervisors or Senior Management or their respective spouses or children under 18 years of age had been granted equity securities or warrants of the Company.

During the Reporting Period, the Company had strictly complied with the Company Law, Securities Law, the Corporate Governance Code and Corporate Governance Report (the "**Code**") as set out in Appendix 14 of the Hong Kong Listing Rules and the Articles of Association of the Company, continued to improve its corporate governance structure and was in full compliance with all the code provisions under the Code. The corporate governance of the Company in practice complied with the requirements of the Company Law, relevant regulations of the CSRC as well as most of the recommended best practices set out in the Code.

According to PRC regulatory requirements, the Twenty-third Meeting of the Third Session of the Board considered and approved the Measures for the Management of the Holding and Changes in the Shares of CITIC Securities Company Limited by Directors, Supervisors and Senior Management (hereinafter referred to as the "**Management Measures**") on 13 March 2008, to regulate the holding of and dealing in the Shares of the Company by Directors, Supervisors and Senior Management. The Management Measures are more stringent than the compulsory provisions set out in the Model Code. Having made specific inquiries, all Directors and Supervisors have confirmed that they had strictly complied with the relevant provisions of the Management Measures and the Model Code during the Reporting Period.

In accordance with the changes in relevant laws and regulations, the Resolution on Proposed Amendments to the Articles of Association was considered and approved at the Twenty-second Meeting of the Sixth Session of the Board and the 2017 Annual General Meeting, respectively, to amend the relevant articles in the Articles of Association of the Company and its Appendices, namely the Rules of Procedure for the General Meeting and the Rules of Procedure for the Board of Directors. In order to further optimize the comprehensive risk management organization structure, more clearly define the terms of reference of the Risk Management Committee of the Board and to keep them in line with the revised Articles of Association of the Company, the Resolution on Proposed Amendments to the Rules of Procedure for the Meeting of the Risk Management Committee of the Board was considered and passed at the Twenty-second Meeting of the Sixth Session of the Board. Based on the amendments to the domestic regulatory requirements and the self-disciplinary rules in the industry, the establishment of the Measures for Administration of Conflicts of Interest was considered and approved at the Twenty-second Meeting of the Sixth Session of the Board. According to the Opinions on Anti-money Laundering Control issued by the Anti-money Laundering Division of the People's Bank of China, the Twenty-fourth Meeting of the Sixth Session of the Board considered and approved the supplements and amendments to the Comprehensive Risk Management System of the Company, so that all of the terms are in line with the latest regulatory requirements and the actual risk management needs of the Company.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of CITIC Securities Company Limited
(Incorporated in the People's Republic of China with Limited Liability)

Introduction

We have reviewed the interim financial information set out on pages 79 to 167, which comprises the condensed consolidated interim statement of financial position of CITIC Securities Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the condensed consolidated interim income statement, the condensed consolidated interim statements of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 August 2018

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2018

(In RMB thousands, unless otherwise stated)

	Notes	Six months ended 30 June 2018 (Unaudited)	2017 (Unaudited)
Revenue			
Fee and commission income		**10,891,049**	10,745,356
Interest income	5	**6,934,880**	6,260,713
Investment income	6	**4,948,594**	4,264,222
		22,774,523	21,270,291
Other income	7	**4,674,948**	3,870,252
Total revenue and other income		**27,449,471**	25,140,543
Fee and commission expenses	8	**1,794,166**	1,692,175
Finance costs	8	**6,002,989**	4,966,173
Staff costs	8	**5,401,252**	5,247,912
Depreciation		**255,219**	237,371
Tax and surcharges		**134,766**	123,459
Other operating expenses and costs	8	**6,150,704**	6,021,485
Impairment losses	9	**—**	259,751
Expected credit losses	10	**701,793**	
Total operating expenses		**20,440,889**	18,548,326
Operating profit		**7,008,582**	6,592,217
Share of profits and losses of:			
Associates		**392,088**	246,236
Joint ventures		**(6,251)**	(2,265)
Profit before income tax		**7,394,419**	6,836,188
Income tax expense	11	**1,571,638**	1,653,387
Profit for the period		**5,822,781**	5,182,801
Attributable to:			
Owners of the Parent		**5,565,152**	4,926,509
Non-controlling interests		**257,629**	256,292
		5,822,781	5,182,801
Earnings per share attributable to Owners of the Parent (in RMB yuan)			
— Basic	13	**0.46**	0.41
— Diluted	13	**0.46**	0.41

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

(In RMB thousands, unless otherwise stated)

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Profit for the period	**5,822,781**	5,182,801
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		
Available-for-sale financial assets:		
Changes in fair value		1,755,048
Income tax effect on changes in fair value		(446,910)
Gains transferred included in the consolidated income statement, net		(587,297)
		720,841
Net gains on investments in debt instruments measured at fair value through other comprehensive income	**130,927**	
Net losses on debt instruments measured at fair value through other comprehensive income reclassified to profit or loss on disposal	**(24,474)**	
Income tax relating to these items	**(26,613)**	
	79,840	
Share of other comprehensive income of associates and joint ventures	**17,026**	(347)
Exchange differences on translation of foreign operations	**139,502**	(390,755)
Other	**6,441**	(1,627)
	242,809	328,112
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods		
Net losses on investments in equity instruments designated as at fair value through other comprehensive income	**(718,291)**	
Income tax relating to these items	**179,573**	
	(538,718)	
Share of other comprehensive income of associates and joint ventures	**(6,225)**	
	(544,943)	
Other comprehensive income for the period, net of tax	**(302,134)**	328,112
Total comprehensive income for the period	**5,520,647**	5,510,913
Attributable to:		
Owners of the Parent	**5,280,416**	5,232,776
Non-controlling interests	**240,231**	278,137
	5,520,647	5,510,913

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

At 30 June 2018

(In RMB thousands, unless otherwise stated)

	Notes	**30 June 2018 (Unaudited)**	31 December 2017 (Audited)
Non-current assets			
Property, plant and equipment	14	**8,109,605**	8,264,559
Investment properties	15	**857,925**	871,554
Goodwill	16	**10,432,733**	10,280,937
Land-use rights and intangible assets	17	**3,306,330**	3,447,332
Investments in associates		**9,194,402**	8,580,336
Investments in joint ventures		**5,446**	5,212
Available-for-sale financial assets	18		28,194,717
Financial assets at fair value through other comprehensive income	19	**16,673,949**	
Financial assets designated as at fair value through profit or loss	20		8,503,392
Financial assets at fair value through profit or loss	26	**18,558,357**	
Refundable deposits	21	**1,183,497**	972,410
Deferred income tax assets	22	**3,382,059**	3,384,952
Other non-current assets	23	**3,778,532**	3,570,271
Total non-current assets		**75,482,835**	76,075,672
Current assets			
Fee and commission receivables		**1,448,861**	1,487,197
Margin accounts	24	**67,671,586**	73,982,611
Available-for-sale financial assets	18		31,032,215
Financial assets at fair value through other comprehensive income	19	**22,196,477**	
Financial assets held for trading	25		158,448,546
Financial assets designated as at fair value through profit or loss	20		11,201,565
Financial assets at fair value through profit or loss	26	**190,248,266**	
Derivative financial assets	27	**8,695,133**	5,900,795
Reverse repurchase agreements	28	**81,039,907**	114,592,030
Other current assets	29	**63,669,627**	26,164,534
Cash held on behalf of customers	30	**100,675,023**	92,386,338
Cash and bank balances	31	**46,596,584**	34,303,141
Total current assets		**582,241,464**	549,498,972
Current liabilities			
Customer brokerage deposits	32	**130,352,080**	99,854,891
Derivative financial liabilities	27	**7,600,523**	13,301,231
Financial liabilities at fair value through profit or loss	33	**45,242,842**	45,990,353
Repurchase agreements	34	**99,789,532**	111,619,927
Due to banks and other financial institutions		**8,838,966**	9,835,000
Taxes payable	35	**1,554,063**	1,793,376
Short-term loans	36	**7,080,976**	5,991,451
Short-term financing instruments payable	37	**28,692,190**	33,537,839
Other current liabilities	38	**69,629,650**	67,770,364
Total current liabilities		**398,780,822**	389,694,432
Net current assets		**183,460,642**	159,804,540
Total assets less current liabilities		**258,943,477**	235,880,212

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

At 30 June 2018

(In RMB thousands, unless otherwise stated)

	Notes	**30 June 2018 (Unaudited)**	31 December 2017 (Audited)
Non-current liabilities			
Debt instruments issued	39	**96,779,691**	77,641,633
Deferred income tax liabilities	22	**2,829,891**	2,632,211
Long-term loans	40	**551,900**	1,084,900
Financial liabilities at fair value through profit or loss	33	**4,363,392**	461,417
Other non-current liabilities	41	**963,171**	917,492
Total non-current liabilities		**105,488,045**	82,737,653
Net assets		**153,455,432**	153,142,559
Equity			
Equity attributable to Owners of the Parent			
Share capital	42	**12,116,908**	12,116,908
Reserves	43	**84,519,502**	85,675,151
Retained earnings		**53,412,690**	52,006,987
		150,049,100	149,799,046
Non-controlling interests		**3,406,332**	3,343,513
Total equity		**153,455,432**	153,142,559

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Approved and authorized for issue by the Board of Directors on 23 August 2018.

ZHANG Youjun
Chairman

YANG Minghui
Executive Director and President

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

(In RMB thousands, unless otherwise stated)

	Attributable to owners of the Parent									
		Reserves								
	Share capital	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Retained earnings	Subtotal	Non-controlling interests	Total
At 31 December 2017	12,116,908	54,449,057	8,164,570	20,826,927	2,131,888	102,709	52,006,987	149,799,046	3,343,513	153,142,559
Changes in accounting policy	–	–	88,986	143	(1,048,577)	9,719	782,076	(167,653)	–	(167,653)
At 1 January 2018	12,116,908	54,449,057	8,253,556	20,827,070	1,083,311	112,428	52,789,063	149,631,393	3,343,513	152,974,906
Profit for the period	–	–	–	–	–	–	5,565,152	5,565,152	257,629	5,822,781
Other comprehensive income for the period	–	–	–	–	(441,636)	156,900	–	(284,736)	(17,398)	(302,134)
Total comprehensive income for the period	–	–	–	–	(441,636)	156,900	5,565,152	5,280,416	240,231	5,520,647
Dividend — 2017	–	–	–	–	–	–	(4,846,763)	(4,846,763)	–	(4,846,763)
Appropriation to general reserves	–	–	–	97,979	–	–	(97,979)	–	–	–
Capital increase/ (decrease) by equity holders — Others	–	(19,163)	–	–	–	–	3,217	(15,946)	(177,412)	(193,358)
At 30 June 2018 (Unaudited)	12,116,908	54,429,894	8,253,556	20,925,049	641,675	269,328	53,412,690	150,049,100	3,406,332	153,455,432

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

(In RMB thousands, unless otherwise stated)

	Attributable to owners of the Parent									
		Reserves								
	Share capital	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Retained earnings	Subtotal	Non-controlling interests	Total
At 1 January 2017	12,116,908	54,462,051	7,812,711	18,796,701	1,215,190	1,100,093	47,192,292	142,695,946	3,092,724	145,788,670
Profit for the period	–	–	–	–	–	–	4,926,509	4,926,509	256,292	5,182,801
Other comprehensive income for the period	–	–	–	–	703,972	(397,705)	–	306,267	21,845	328,112
Total comprehensive income for the period	–	–	–	–	703,972	(397,705)	4,926,509	5,232,776	278,137	5,510,913
Dividend – 2016	–	–	–	–	–	–	(4,240,918)	(4,240,918)	–	(4,240,918)
Appropriation to general reserves	–	–	–	56,063	–	–	(56,063)	–	–	–
Capital increase/ (decrease) by equity holders – Others	–	(87,331)	–	–	–	–	102,259	14,928	(29,706)	(14,778)
At 30 June 2017 (Unaudited)	12,116,908	54,374,720	7,812,711	18,852,764	1,919,162	702,388	47,924,079	143,702,732	3,341,155	147,043,887

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

(In RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before income tax	**7,394,419**	6,836,188
Adjustments for:		
Financing interest expense	**3,461,011**	2,564,264
Share of profits and losses of associates and joint ventures	**(385,837)**	(243,971)
Dividend income and interest income from available-for-sale financial assets		(1,096,390)
Interest income from debt instruments at fair value through other comprehensive income	**(323,612)**	
Net gains on disposal of available-for-sale financial assets		(906,194)
Net gains on disposal of debt instruments at fair value through other comprehensive income	**(42,399)**	
Net gains on disposal of property, plant and equipment and other assets	**(287)**	(148)
Gains on disposal of associates and joint ventures	**(16,823)**	(192,972)
Fair value gains on financial instruments measured at fair value through profit or loss	**(3,239,083)**	(294,083)
Depreciation	**268,848**	242,838
Amortization	**231,817**	241,216
Impairment on available-for-sale financial assets		66,720
Impairment on debt instruments at fair value through other comprehensive income	**39,554**	
Impairment on other assets	**662,238**	193,031
	8,049,846	7,410,499
Net decrease/(increase) in operating assets		
Financial assets held for trading		17,095,532
Financial assets at fair value through profit or loss	**(36,485,758)**	
Cash held on behalf of customers	**(8,288,686)**	26,669,204
Other assets	**29,483,339**	(44,261,530)
	(15,291,105)	(496,794)
Net increase/(decrease) in operating liabilities		
Customer brokerage deposits	**29,822,709**	(23,791,998)
Repurchase agreements	**(11,830,395)**	(23,632,571)
Other liabilities	**18,405,860**	20,025,476
	36,398,174	(27,399,093)
Net cash inflow/(outflow) from operating activities before tax	**29,156,915**	(20,485,388)
Income tax paid	**(1,598,762)**	(2,014,781)
Net cash inflow/(outflow) from operating activities	**27,558,153**	(22,500,169)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

(In RMB thousands, unless otherwise stated)

	Notes	Six months ended 30 June 2018 (Unaudited)	2017 (Unaudited)
Cash flows from investing activities			
Dividend income and interest income received from available-for-sale financial assets			1,119,317
Net cash flow from purchases, leases and sales of items of property, plant and equipment and other assets		**(142,494)**	(115,165)
Net cash flow from business combination		**(97,391)**	(373,657)
Net cash flow from investments in associates and joint ventures		**(196,435)**	139,798
Net cash flow of debt instruments at fair value through other comprehensive income		**(7,749,281)**	
Net cash flow from disposal or purchase of available-for-sale financial assets			5,681,721
Net cash inflow/(outflow) from investing activities		**(8,185,601)**	6,452,014
Cash flows from financing activities			
Cash inflows from financing activities		**1,000**	7,415
Cash inflows from borrowing activities		**7,012**	936,196
Cash inflows from issuing bonds		**67,692,519**	91,277,266
Payment of debts		**(71,301,652)**	(64,471,115)
Dividends and interest expense		**(3,424,255)**	(2,603,729)
Other cash outflows from financing activities		**(805,520)**	(2,951,092)
Net cash inflow/(outflow) from financing activities		**(7,830,896)**	22,194,941
Net increase/(decrease) in cash and cash equivalents		**11,541,656**	6,146,786
Cash and cash equivalents at the beginning of the period		**30,938,954**	33,230,355
Effect of exchange rate changes on cash and cash equivalents		**299,048**	(583,815)
Cash and cash equivalents at the end of the period	44	**42,779,658**	38,793,326
Cash and bank balances	31	**46,596,584**	42,201,828
Less: Restricted funds	31	**3,816,926**	3,408,502
Cash and cash equivalents		**42,779,658**	38,793,326

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

1 CORPORATE INFORMATION

CITIC Securities Company Limited (the "Company") was established in Beijing, the People's Republic of China (the "PRC" or "Mainland China", excludes for the purpose of the financial statements, the Hong Kong Special Administrative Region of the PRC or "Hong Kong", the Macau Special Administrative Region of the PRC or "Macau", and Taiwan) on 25 October 1995. Pursuant to the approval by the China Securities Regulatory Commission (the "CSRC"), the Company was restructured as a joint stock limited company in 1999. The Company's common stock was listed on the PRC domestic A-share market in 2003. The registered office of the Company is located at North Tower, Excellence Times Plaza II, No. 8 Zhongxin San Road, Futian District, Shenzhen, Guangdong Province, PRC.

According to a resolution relating to the issue and listing of H Shares in Hong Kong passed in the first extraordinary general meeting of shareholders in 2011, along with the "Approval of Issue of Overseas-Listed Foreign Shares of CITIC Securities" (CSRC [2011] No. 1366) issued by the CSRC, the Company conducted its initial public offering of overseas-listed foreign shares ("H shares") from September to October 2011. Under this offering, the Company offered a total of 1,071,207,000 H shares (including over-allotment of 75,907,000 H shares) with a nominal value of RMB1.00 per share. As at 31 December 2011, the total share capital of the Company increased to RMB11,016,908,400. The capital increase has been verified by Ernst & Young Hua Ming according to the capital verification report of Ernst & Young Hua Ming Yan Zi (2011) 60469435_A09.

According to a resolution relating to the additional issuance and listing of H shares in Hong Kong passed in the first extraordinary general meeting of the shareholders in 2015, along with the "Approval of Issue of Overseas-Listed Foreign Shares of CITIC Securities the Approval relating to Additional Issuance of Overseas Listed Foreign Shares of CITIC Securities Company Limited (CSRC [2015] No. 936)" issued by the CSRC, on 23 June 2015, the Company completed its additional issuance and listing of H shares in Hong Kong. Under this offering, the Company offered a total of 1,100,000,000 H shares with offering price of HKD24.60 per share. As at 31 December 2015, the total share capital of the Company increased to RMB12,116,908,400. The capital increase has been verified by PricewaterhouseCoopers Zhong Tian Yan Zi (2015) No. 748.

The Company (also referred to as the "Parent") and its subsidiaries (collectively referred to as the "Group") are involved in the following principal activities:

- Securities and futures brokerage;
- Securities investment fund distribution and introducing brokerage business for futures companies;
- Agency sale of financial products;
- Securities underwriting and sponsorship;
- Investment advisory and consultancy services;
- Proprietary securities activities;
- Asset management and fund management;
- Margin financing and securities lending; and
- Stock option market-making.

(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"), as well as with all applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies and methods of computation used in preparing the condensed consolidated interim financial statements are the same as those adopted in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

Relevant standards and amendments effective in 2018 and adopted by the Group:

In the current interim period, the Group has adopted the following International Financial Reporting Standards ("IFRSs") and amendments issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current interim period. Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2017.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IAS 28	Investments in Associates and Joint Ventures — included in the Annual Improvements to IFRSs 2014 — 2016 Cycle
Amendments to IAS 40	Transfer of Investment Property
IFRIC 22	Foreign Currency Transactions and Advance Consideration

The new accounting standard IFRS 9 Financial Instruments and their impacts are disclosed in Note 2.3 Changes in accounting policies and Note 2.5 The impact of changes in principal accounting policies respectively. The adoption of the other standards and amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

Relevant standards and amendments that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group:

(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group has not adopted the following new and amended standards that have been issued but are not yet effective.

				Effective for annual periods beginning on or after
(1)	IFRS 16	(i)	Leases	1 January 2019
(2)	IFRIC 23	(i)	Uncertainty over Income Tax Treatments	1 January 2019
(3)	Amendments to IFRS 9	(ii)	Prepayment Features with Negative Compensation	1 January 2019
(4)	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	(i)	The Annual Improvements to IFRSs 2015–2017 Cycle	1 January 2019
(5)	Amendments to IAS 28	(iii)	Long-term Interests in Associates and Joint Ventures	1 January 2019
(6)	Amendments to IFRS 10 and IAS 28	(i)	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

(i) Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2017. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(ii) Amendments to IFRS 9: Prepayment Features with Negative Compensation
The IASB issued a narrow-scope amendment to IFRS 9 to enable companies to measure at amortized cost some prepayable financial assets with negative compensation. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. To qualify for amortized cost measurement, the amendments require the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect'. However, the standard does not define 'reasonable compensation' and significant judgement may be required to assess if this test is met. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The IASB issued amendments to IAS 28: Investments in Associates and Joint Ventures to clarify that companies account for long-term interests in an associate or joint venture-to which the equity method is not applied should be accounting for using IFRS 9. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

2.3 CHANGES IN PRINCIPAL ACCOUNTING POLICIES

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with the transition date of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the Group's consolidated financial statements.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in the opening retained earnings and other components of reserves in the current period. For notes disclosures, the consequential amendments to the selected IFRS 7 disclosures considered to be relevant to this condensed consolidated interim financial statements have only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in the Group's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. Specific accounting policies which have been significantly impacted by IFRS 9 are described as follows:

Financial instruments

(1) Initial recognition, classification and measurement of financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 CHANGES IN PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(1) Initial recognition, classification and measurement of financial instruments (Continued)

Financial assets

Financial assets are classified on the basis of the Group's business model for managing the asset and the cash flow characteristics of the assets:

(i) Amortized cost;

(ii) Fair value through other comprehensive income ("FVOCI"); or

(iii) Fair value through profit or loss ("FVPL").

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement. i.e. interest includes only consideration for the time value of money, credit risk, other basic leading risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic leading arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determine whether their cash flows are SPPI.

The classification requirements for debt instruments and equity instruments are described as below:

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on: (i) the Group's business model for managing the asset; and (ii) the cash flow characteristics of asset.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 CHANGES IN PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(1) Initial recognition, classification and measurement of financial instruments (Continued)

Debt Instruments *(Continued)*

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

(i) Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVPL, are measured at amortized cost.

(ii) FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVPL, are measured at FVOCI.

(iii) FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL.

The Group may also irrevocably designate financial assets at FVPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortized cost, except for financial liabilities at FVPL, which is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition.

(2) Reclassification of financial assets

When the Group changes the business model for managing its financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 CHANGES IN PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(3) Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on the categories:

Amortized cost

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) for financial assets, adjusted for any loss allowance. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses ("ECL") and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ("POCI") financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in "Interest income", except for: (i) POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and (ii) financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 CHANGES IN PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(3) Subsequent measurement of financial instruments (Continued)

Fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses and interest revenue on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "investment income".

Equity instruments

The equity instrument investments that are held for purposes other than to generate investment returns are designated as FVOCI. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as investment income when the Group's right to receive payments is established, and it is probable that future economic benefits associated with the item will flow to the Group, and the amounts of the dividends can be measured reliably.

Financial assets at fair value through profit or loss

Debt instruments

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within "Investment income" in the period in which it arises.

Equity instruments

Gains and losses on equity investments at FVPL are included in the "Investment income" line in the statement of profit or loss.

Financial liabilities at fair value through profit or loss

Gains or losses on financial liabilities designated as at FVPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in profit or loss.

When financial liabilities designated as at FVPL are derecognized, fair value gains and losses are subsequently reclassified from other comprehensive income to retained earnings.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 CHANGES IN PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(4) Impairment of financial instruments

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is 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, which are all cash shorts, discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Group measures the ECL of a financial instrument reflects:

(i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(ii) the time value of money; and

(iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For financial instruments whose impairment losses are measured using the ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

— Stage I: The Group measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL if the credit risk of that financial instrument has not increased significantly since initial recognition.

— Stage II: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk of that financial instrument has increased significantly since initial recognition, but is not yet deemed to be credit-impaired.

— Stage III: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the financial instrument is credit-impaired.

The Group applies the impairment requirements for the recognition and measurement of some loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognized in OCI and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 CHANGES IN PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(4) Impairment of financial instruments (Continued)

The Group has measured the loss allowance for a financial instrument at an amount equal to the lifetime ECL in the previous reporting period, but determines to measure it at an amount equal to the next 12 months ECL at the current reporting date since the credit risk of that financial instrument has increased significantly since initial recognition is no longer met, and the amount of ECL reversal is recognized in profit or loss.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the critical accounting estimate and judgements made in measurement of the expected credit loss allowance and classification of financial instruments.

(1) Measurement of the expected credit loss allowance

Expected credit loss measurement

The measurement of the expected credit loss allowance for debt instruments investments of financial assets measured at amortized cost and FVOCI is an area that requires the use of models and assumptions about future economic conditions and credit behavior of the client (such as the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

— Determine criteria for significant increase in credit risk;

— Choosing appropriate models and assumptions for the measurement of ECL;

— Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(1) Measurement of the expected credit loss allowance (Continued)

Expected credit loss measurement *(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 in "Stage I" 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 moved to "Stage II" 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. A backstop is also applied and debt securities are considered to 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 moved to "Stage III". The Group defines a financial instrument is credit impaired upon the occurrence of credit events including:

  — for margin financing — credit management actions such as 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. A backstop is also applied and the debt securities are considered to be credit impaired if the securities are more than 90 days past due

Inputs, assumptions and estimation techniques

The ECL of different financial portfolios is measured by the Group on either a 12-month or lifetime basis depending on whether they are in Stage I, II or III as defined above.

A pervasive concept in measuring ECL by the Group is that it should consider forward-looking information.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(1) Measurement of the expected credit loss allowance (Continued)

Inputs, assumptions and estimation techniques *(Continued)*

For debt securities investments, ECL are the discounted product of the Probability of Default (PD) with consideration of the forward-looking information, Exposure at Default (EAD), and Loss Given Default(LGD):

— The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation. Appropriates external and internal credit rating and related PD are taken into consideration. The group has already assessed the PD sensitivities to the macroeconomic economy.

— EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

— Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD is determined based on publicly available information from credit rating agencies based on the issuers and type of securities. The group assessed the appropriateness to use the external available information.

For margin financing and reverse repurchase agreement businesses, ECL are the discounted product of the EAD and Loss Ratio (LR):

— EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

— LR represents the Group's expectation of the likelihood and extent of loss on exposure based on the relevant loan to collateral ratio. The Group uses historical loss rates based on publicly available information and assesses their appropriateness.

Forward — looking information incorporated in the ECL model

A pervasive concept in measuring ECL in accordance with IFRS9 is that it should consider forward-looking information.

For debt securities investments, the Group has performed historical data and identified the key economic variables impacting credit risk and ECL for each financial instrument portfolio. These economic variables and their associated impact on the PD. The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(1) Measurement of the expected credit loss allowance (Continued)

Forward — looking information incorporated in the ECL model *(Continued)*

In addition to the base economic scenario, the Group's management expert team also provide other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of the major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 1 January 2018 for all portfolios the Group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the change of the rating between the origination date and reporting date, along with backstop indicators. Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (Stage I), or a probability weighted lifetime ECL (Stages II and III). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

For margin financing and reverse repurchase agreements, given the characteristics of these exposures and the credit management approach adopted, management considers that the impacts of forward-looking information based on key economic variables will not have any significant impacts to the condensed consolidated interim financial statements.

The Group considers the aforesaid forecasts and assessments to represent its best estimate of possible outcomes. As with any economic forecasts, the above projections and likelihoods of occurrence are subject to a certain level of uncertainties and further enhancement and calibrations.

The ECL as at 30 June 2018 analyzed by stage is set out in Note 48(a).

(2) Classification of financial assets

When the Group determines the classification of financial assets, a number of significant judgements in the business model and the contractual cash flow characteristics of the financial assets are required.

Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

When the Group assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as below: whether the principal amount may change over the life of the financial asset (for example, if there are repayments of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost, associated with holding the financial asset for a particular period of time.

(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 THE IMPACT OF CHANGES IN PRINCIPAL ACCOUNTING POLICIES

The adoption of IFRS 9 from 1 January 2018 has resulted in changes in accounting policies and adjustments to the relevant amounts previously recognized in the consolidated financial statements. The Group elected not to restate the comparative figures. The adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in the opening retained earnings and other components of reserves. Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group.

(1) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

IAS 39			IFRS 9		
Items	Measurement categories	Carrying amount	Items	Measurement categories	Carrying amount
Cash and bank balances	Amortized costs (Loans and receivables)	34,303,141	Cash and bank balances	Amortized costs	34,303,141
Cash held on behalf of customers	Amortized costs (Loans and receivables)	92,386,338	Cash held on behalf of customers	Amortized costs	92,386,338
Margin accounts	Amortized costs (Loans and receivables)	73,982,611	Margin accounts	Amortized costs	73,973,779
Derivative financial assets	FVPL	5,900,795	Derivative financial assets	FVPL (Mandatory)	5,900,795
Reverse repurchase agreements	Amortized costs (Loans and receivables)	114,592,030	Reverse repurchase agreements	Amortized costs	114,569,371
Refundable deposits	Amortized costs (Loans and receivables)	972,410	Refundable deposits	Amortized costs	972,410

(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 THE IMPACT OF CHANGES IN PRINCIPAL ACCOUNTING POLICIES (Continued)

(1) Classification and measurement of financial instruments (Continued)

<table>
<tr><th colspan="3">IAS 39</th><th colspan="3">IFRS 9</th></tr>
<tr><th>Items</th><th>Measurement categories</th><th>Carrying amount</th><th>Items</th><th>Measurement categories</th><th>Carrying amount</th></tr>
<tr><td>Financial assets held for trading</td><td>FVPL</td><td>158,448,546</td><td rowspan="2">Financial assets at fair value through profit or loss</td><td rowspan="2">FVPL (Mandatory)</td><td rowspan="2">206,074,885</td></tr>
<tr><td>Financial assets designated as at fair value through profit or loss</td><td>FVPL</td><td>19,704,957</td></tr>
<tr><td rowspan="2">Available-for-sale financial assets</td><td rowspan="2">FVOCI</td><td rowspan="2">59,226,932</td><td>Financial assets at fair value through other comprehensive income (Debt instruments)</td><td>FVOCI</td><td>14,080,770</td></tr>
<tr><td>Financial assets at fair value through other comprehensive income (Equity instruments)</td><td>FVOCI</td><td>17,392,241</td></tr>
<tr><td>Others</td><td>Amortized costs (Loans and receivables)</td><td>26,461,322</td><td>Others</td><td>Amortized costs</td><td>26,448,466</td></tr>
</table>

There were no changes to the classification and measurement of financial liabilities, other than to changes in the fair value of financial liabilities designated at FVPL that are attributable to changes in the instrument's credit risk, which are now presented in other comprehensive income. Such changes have no impact to the Group.

(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 THE IMPACT OF CHANGES IN PRINCIPAL ACCOUNTING POLICIES (Continued)

(2) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

	IAS 39 Carrying amount 31 December 2017	Reclassifications	Remeasurements Expected Credit Loss Allowance	IFRS 9 Carrying amount 1 January 2018
Cash and bank balances	34,303,141	—	—	34,303,141
Cash held on behalf of customers	92,386,338	—	—	92,386,338
Margin accounts	73,982,611	—	(8,832)	73,973,779
Derivative financial assets	5,900,795	—	—	5,900,795
Reverse repurchase agreements	114,592,030	—	(22,659)	114,569,371
Refundable Deposits	972,410	—	—	972,410
Other assets	26,461,322	677	(13,533)	26,448,466

(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 THE IMPACT OF CHANGES IN PRINCIPAL ACCOUNTING POLICIES (Continued)

(2) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (Continued)

	IAS 39 Carrying amount 31 December 2017	Reclassifications	Remeasurements Changes in Fair Value	IFRS 9 Carrying amount 1 January 2018
Financial assets held for trading (IAS 39)	158,448,546			
Financial assets designated as at fair value through profit or loss (IAS 39)	19,704,957			
Reclassification: From available-for-sale financial assets (IAS 39)		27,753,244	168,138	
Financial assets at fair value through profit or loss (Mandatory) (IFRS 9)				206,074,885
Available-for-sale financial assets (Debt instruments) (IAS 39)	22,051,458			
Reclassification: To financial assets at fair value through profit or loss (Mandatory) (IFRS 9)		(7,970,011)		
To others		(677)		
Financial assets at fair value through other comprehensive income (Debt instrument) (IFRS 9)				14,080,770
Available-for-sale financial assets (Equity instruments) (IAS 39)	37,175,474			
Reclassification: To financial assets at fair value through profit or loss (Mandatory) (IFRS 9)		(19,783,233)		
Financial assets at fair value through other comprehensive income (Equity instruments) (IFRS 9)				17,392,241

(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 THE IMPACT OF CHANGES IN PRINCIPAL ACCOUNTING POLICIES (Continued)

(3) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

	Impairment allowance under IAS 39 31 December 2017	Reclassifications	Remeasurements Expected Credit Loss Allowance	Impairment allowance under IFRS 9 1 January 2018
Financial assets measured at amortized costs				
Margin accounts	303,615	–	8,832	312,447
Reverse repurchase agreements	556,585	–	22,659	579,244
Other assets	899,657	–	13,533	913,190
Total	1,759,857	–	45,024	1,804,881
Available-for-sale Financial Assets (IAS 39)/	1,371,201	(1,259,578)		111,623
Financial assets at fair value through other comprehensive income (Debt instruments) (IFRS 9)			15,688	15,688
Total	1,371,201	(1,259,578)	15,688	127,311

3 TAXATION

According to relevant PRC tax policies, the most significant categories of taxes to which the Company is currently subject are as follows:

(1) Income tax

From 1 January 2008, the "Enterprise Income Tax Law of the PRC" and the "Regulations on the Implementation of Enterprise Income Tax Law of the PRC" became effective for the Company. Income tax computation and payment are governed by the "Announcement of the State Administration of Taxation on Printing and Distributing Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by Enterprises with Multi-Location Operations" (Public Notice of the State Administration of Taxation [2012] No. 57). The income tax rate applicable to the Company is 25%.

(2) Value added tax

Pursuant to the "Circular regarding the Comprehensive Implementation of the Pilot Programs for Transformation from Business Taxes to Value-added Taxes (the "VAT Pilot Programs")" (Cai Shui [2016] No. 36), the "Circular regarding Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs (Cai Shui [2016] No. 46), the "Supplementary Circular regarding VAT Policies Applicable to Transactions between Financial Institutions" (Cai Shui [2016] No. 70) issued by the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") of the PRC, effective from 1 May 2016, the Group is subject to value-added taxes on its income from principal businesses at 6%, instead of business tax at 5% prior to 1 May 2016.

In accordance with the "Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services" (Cai Shui [2016] No. 140), the "Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products" (Cai Shui [2017] No. 2) and the "Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products" (Cai Shui [2017] No. 56), the Group shall pay VAT at rate of 3% for related asset management taxable activities undertaken after 1 January 2018.

(3) Vehicle and vessel taxes, property taxes and stamp duties are levied in accordance with the provisions of the relevant tax laws and regulations.

(4) Urban maintenance and construction taxes, education surcharges and local education surcharges are levied at 7%, 3% and 2%, respectively, of the payable amount of relevant turnover taxes.

4 OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's operating segments represents a strategic business engaged in the following activities, which are subject to risks and returns that are different from the other operating segments.

Investment Banking — Securities placement and underwriting activities, and financial advisory services;

Brokerage — Securities and futures dealing and brokerage, as well as the sale of financial products as agent;

Trading — Equity, fixed income and derivatives trading and market-making, margin financing and securities lending and alternative investment activities;

Asset Management — Asset management services to collective assets management, directive assets management, special assets management, fund management and other investment account management; and

Others — Private equity investment, principal investment and other financial activities.

Management monitors the results of the Group's operating segments for the purposes of resource allocation and operating decision-making. Operating segment performance is measured consistently, and on the same basis as, operating profit or loss in the Group's consolidated financial statements.

Income taxes are managed as a whole and are not allocated to operating segments.

(In RMB thousands, unless otherwise stated)

4 OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2018 (Unaudited)	Investment Banking	Brokerage	Trading	Asset Management	Others	Total
Segment revenue and other income						
Fee and commission income	1,599,650	5,351,929	101,697	3,449,326	388,447	10,891,049
Interest income	1,692	1,368,108	5,287,920	88,994	188,166	6,934,880
Investment income	–	16,279	4,333,224	214,536	384,555	4,948,594
Other income	11,328	68,579	342,787	26,489	4,225,765	4,674,948
Subtotal	1,612,670	6,804,895	10,065,628	3,779,345	5,186,933	27,449,471
Operating expenses	942,174	5,320,955	7,583,851	2,111,644	4,482,265	20,440,889
Including: Finance costs	38	354,208	5,286,319	37,445	324,979	6,002,989
Expected credit losses	–	2,495	653,955	399	44,944	701,793
Operating profit	670,496	1,483,940	2,481,777	1,667,701	704,668	7,008,582
Share of profits and losses of associates and joint ventures	–	–	–	–	385,837	385,837
Profit before income tax	670,496	1,483,940	2,481,777	1,667,701	1,090,505	7,394,419
Income tax expenses						1,571,638
Net profit for the period						5,822,781
Other segment information:						
Depreciation and amortization	1,474	140,257	6,791	29,541	322,602	500,665
Capital expenditure	11,369	89,038	5,090	13,592	24,456	143,545

(In RMB thousands, unless otherwise stated)

4 OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2017 (Unaudited)	Investment Banking	Brokerage	Trading	Asset Management	Others	Total
Segment revenue and other income						
Fee and commission income	2,017,689	5,444,748	75,797	2,998,481	208,641	10,745,356
Interest income	31	1,320,077	4,408,363	257,899	274,343	6,260,713
Investment income	–	15,304	3,155,985	199,288	893,645	4,264,222
Other income	1,701	(20,116)	(114,115)	25,974	3,976,808	3,870,252
Subtotal	2,019,421	6,760,013	7,526,030	3,481,642	5,353,437	25,140,543
Operating expenses	1,131,230	4,844,719	5,799,585	1,735,426	5,037,366	18,548,326
Including: Finance costs	53	187,966	4,379,122	44,270	354,762	4,966,173
Impairment losses	–	1,238	259,836	–	(1,323)	259,751
Operating profit	888,191	1,915,294	1,726,445	1,746,216	316,071	6,592,217
Share of profits and losses of associates and joint ventures	–	–	–	–	243,971	243,971
Profit before income tax	888,191	1,915,294	1,726,445	1,746,216	560,042	6,836,188
Income tax expenses						1,653,387
Net profit for the period						5,182,801
Other segment information:						
Depreciation and amortization	1,688	139,826	7,314	26,452	308,774	484,054
Capital expenditure	11,407	107,388	5,267	9,484	14,025	147,571

(In RMB thousands, unless otherwise stated)

5 INTEREST INCOME

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Interest income on margin and other financing	**4,845,845**	4,185,626
Bank interest income	**1,952,440**	2,033,019
Others	**136,595**	42,068
Total	**6,934,880**	6,260,713

6 INVESTMENT INCOME

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Net gains from financial assets held for trading		4,567,851
Net gains from financial assets designated as at fair value through profit or loss		388,887
Net losses from financial assets at fair value through profit or loss	**(1,697,514)**	
Net gains from disposal of available-for-sale financial assets		906,194
Net gains from disposal of debt instruments at fair value through other comprehensive income	**42,399**	
Dividend and interest income from available-for-sale financial assets		1,096,390
Interest income from debt instruments at fair value through other comprehensive income	**323,612**	
Net gains from financial liabilities at fair value through profit or loss	**1,322,903**	(716,885)
Net gains/(losses) from derivatives and others	**4,957,194**	(1,978,215)
Total	**4,948,594**	4,264,222

7 OTHER INCOME

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Gains on disposal of property, plant and equipment	**287**	2,311
Others (i)	**4,674,661**	3,867,941
Total	**4,674,948**	3,870,252

(i) For the six months ended 30 June 2018, others mainly represented income from bulk commodity trading of RMB4,059 million (Six months ended 30 June 2017: RMB3,739 million).

(In RMB thousands, unless otherwise stated)

8 OPERATING EXPENSES

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Fee and commission expenses:		
— Commission expense	**1,684,644**	1,653,620
— Others	**109,522**	38,555
Total	**1,794,166**	1,692,175

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Finance costs:		
— Debt instruments issued and short-term financing instruments payable	**3,194,173**	2,420,884
— Due to banks and other financial institutions	**2,075,289**	1,856,407
— Customer brokerage deposits	**161,630**	184,982
— Others	**571,897**	503,900
Total	**6,002,989**	4,966,173

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Staff costs (including directors', supervisors' and senior executives' remuneration):		
— Salaries and bonuses	**4,592,664**	4,434,073
— Staff benefits	**506,904**	520,107
— Contributions to defined contribution schemes (i)	**301,684**	293,732
Total	**5,401,252**	5,247,912

(In RMB thousands, unless otherwise stated)

8 OPERATING EXPENSES (Continued)

(i) Retirement benefits are included herein and their nature is described below:

Full-time employees of the Group in Mainland China are covered by various government-sponsored retirement plans, under which the employees are entitled to a monthly pension. Relevant government agencies determine the amount of pension benefits and are responsible for the related pension liabilities to eligible retired employees. The Group is required to make monthly contributions to the government related to these government-sponsored retirement plans for active employees. The Group has no obligation for post-retirement benefits beyond these contributions, which are expensed as incurred.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries or regions outside of Mainland China.

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Other operating expenses and costs:		
— Leasing expenses	**399,147**	525,533
— Fund distribution and administration expenses	**263,262**	159,139
— Electronic device operating costs	**224,619**	230,720
— Amortization of intangible assets	**186,189**	192,814
— Business travel expenses	**157,215**	166,433
— Postal and communication expenses	**110,038**	117,890
— Business publicity expenses	**94,587**	98,621
— Consulting expenses	**78,928**	58,870
— Business entertainment expenses	**77,160**	89,142
— Investor protection fund	**71,711**	123,686
— Auditor's remuneration	**11,317**	16,132
— Others (i)	**4,476,531**	4,242,505
Total	**6,150,704**	6,021,485

(i) Others mainly represented cost of bulk commodity trading amounting to RMB4,078 million for the six months ended 30 June 2018 (Six months ended 30 June 2017: RMB3,704 million).

(In RMB thousands, unless otherwise stated)

9 IMPAIRMENT LOSSES

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Reverse repurchase agreements		90,525
Available-for-sale financial assets		66,720
Margin accounts		(3,771)
Others	**–**	106,277
Total	**–**	259,751

10 EXPECTED CREDIT LOSSES

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Reverse repurchase agreements	**440,224**	
Margin accounts	**45,959**	
Financial assets at fair value through other comprehensive income (debt instruments)	**39,554**	
Other assets	**176,056**	
Total	**701,793**	

11 INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Current income tax expense	**1,193,803**	1,317,053
Mainland China	**1,107,699**	1,250,504
Outside Mainland China	**86,104**	66,549
Deferred income tax expense	**377,835**	336,334
Total	**1,571,638**	1,653,387

12 DIVIDENDS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Dividends on ordinary shares approved but not paid	**4,846,763**	4,240,918
Dividends on ordinary shares paid	**–**	–

The distribution of year 2017 dividends on ordinary shares was approved by the General Shareholders' Meeting of the Company on 26 June 2018.

13 EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to owners of the parent	**5,565,152**	4,926,509
Shares:		
Weighted average number of ordinary shares in issue (thousand)	**12,116,908**	12,116,908
Basic and diluted earnings per share (in RMB yuan)	**0.46**	0.41

Basic earnings per share was calculated by dividing profit for the period attributable to owners of the parent by the weighted average number of ordinary shares outstanding.

There were no dilutive items during the six months ended 30 June 2018 (Six months ended 30 June 2017: None).

(In RMB thousands, unless otherwise stated)

14 PROPERTY, PLANT AND EQUIPMENT

30 June 2018 (Unaudited)	Properties and Buildings	Communication Equipment	Office Equipment	Transportation Vehicles	Security Equipment	Electronic Devices	Others	Subtotal	Construction in progress	Total
Cost										
31 December 2017 (Audited)	6,099,997	71,944	290,326	2,392,744	6,355	2,307,822	83,338	11,252,526	361,592	11,614,118
Increases	33,206	543	8,453	–	760	59,608	2,228	104,798	18,506	123,304
Decreases	–	(736)	(9,347)	(971)	(253)	(48,050)	(12,115)	(71,472)	(43,499)	(114,971)
Effect of exchange rate change	(809)	(262)	(288)	27,914	–	8,496	265	35,316	–	35,316
30 June 2018 (Unaudited)	6,132,394	71,489	289,144	2,419,687	6,862	2,327,876	73,716	11,321,168	336,599	11,657,767
Accumulated depreciation										
31 December 2017 (Audited)	774,961	59,616	250,177	224,981	3,796	1,967,590	68,438	3,349,559	–	3,349,559
Increases	89,147	4,138	13,241	42,288	355	101,635	4,411	255,215	–	255,215
Decreases	(286)	(671)	(8,877)	(958)	(245)	(44,848)	(11,652)	(67,537)	–	(67,537)
Effect of exchange rate change	(580)	(200)	(260)	3,407	–	8,231	327	10,925	–	10,925
30 June 2018 (Unaudited)	863,242	62,883	254,281	269,718	3,906	2,032,608	61,524	3,548,162	–	3,548,162
Allowances for impairment										
31 December 2017 (Audited)	–	–	–	–	–	–	–	–	–	–
Increases	–	–	–	–	–	–	–	–	–	–
Decreases	–	–	–	–	–	–	–	–	–	–
Effect of exchange rate change	–	–	–	–	–	–	–	–	–	–
30 June 2018 (Unaudited)	–	–	–	–	–	–	–	–	–	–
Net carrying amount										
30 June 2018 (Unaudited)	5,269,152	8,606	34,863	2,149,969	2,956	295,268	12,192	7,773,006	336,599	8,109,605
31 December 2017 (Audited)	5,325,036	12,328	40,149	2,167,763	2,559	340,232	14,900	7,902,967	361,592	8,264,559

(In RMB thousands, unless otherwise stated)

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

31 December 2017 (Audited)	Properties and Buildings	Communication Equipment	Office Equipment	Transportation Vehicles	Security Equipment	Electronic Devices	Others	Subtotal	Construction in progress	Total
Cost										
31 December 2016	964,317	73,699	286,299	2,528,080	7,054	2,364,209	92,245	6,315,903	263,791	6,579,694
Increases	5,143,192	3,574	24,081	5,400	179	258,596	207	5,435,229	138,837	5,574,066
Decreases	(3,640)	(2,946)	(17,859)	(3,438)	(878)	(258,625)	(5,561)	(292,947)	(41,036)	(333,983)
Effect of exchange rate change	(3,872)	(2,383)	(2,195)	(137,298)	–	(56,358)	(3,553)	(205,659)	–	(205,659)
31 December 2017	6,099,997	71,944	290,326	2,392,744	6,355	2,307,822	83,338	11,252,526	361,592	11,614,118
Accumulated depreciation										
31 December 2016	294,482	52,920	237,626	146,828	3,918	1,853,915	65,999	2,655,688	–	2,655,688
Increases	487,367	10,707	30,310	88,980	683	237,098	10,528	865,673	–	865,673
Decreases	(3,587)	(2,156)	(15,736)	(2,485)	(805)	(73,924)	(4,654)	(103,347)	–	(103,347)
Effect of exchange rate change	(3,301)	(1,855)	(2,023)	(8,342)	–	(49,499)	(3,435)	(68,455)	–	(68,455)
31 December 2017	774,961	59,616	250,177	224,981	3,796	1,967,590	68,438	3,349,559	–	3,349,559
Allowances for impairment										
31 December 2016	–	–	239	–	–	506	–	745	–	745
Increases	–	–	–	–	–	–	–	–	–	–
Decreases	–	–	(239)	–	–	(506)	–	(745)	–	(745)
Effect of exchange rate change	–	–	–	–	–	–	–	–	–	–
31 December 2017	–	–	–	–	–	–	–	–	–	–
Net carrying amount										
31 December 2017	5,325,036	12,328	40,149	2,167,763	2,559	340,232	14,900	7,902,967	361,592	8,264,559
31 December 2016	669,835	20,779	48,434	2,381,252	3,136	509,788	26,246	3,659,470	263,791	3,923,261

(In RMB thousands, unless otherwise stated)

15 INVESTMENT PROPERTIES

30 June 2018 (Unaudited)	Properties and Buildings
Cost	
31 December 2017 (Audited)	**1,018,050**
Increases	–
Decreases	–
30 June 2018 (Unaudited)	**1,018,050**
Accumulated depreciation and amortization	
31 December 2017 (Audited)	**146,496**
Increases	**13,629**
Decreases	–
30 June 2018 (Unaudited)	**160,125**
Allowances for impairment	
31 December 2017 (Audited)	–
Increases	–
Decreases	–
30 June 2018 (Unaudited)	–
Net carrying amount	
30 June 2018 (Unaudited)	**857,925**
31 December 2017 (Audited)	**871,554**

(In RMB thousands, unless otherwise stated)

15 INVESTMENT PROPERTIES (Continued)

31 December 2017 (Audited)	Properties and Buildings
Cost	
31 December 2016	115,972
Increases	902,078
Decreases	—
31 December 2017	1,018,050
Accumulated depreciation and amortization	
31 December 2016	47,824
Increases	98,672
Decreases	—
31 December 2017	146,496
Allowances for impairment	
31 December 2016	—
Increases	—
Decreases	—
31 December 2017	—
Net carrying amount	
31 December 2017	871,554
31 December 2016	68,148

(In RMB thousands, unless otherwise stated)

16 GOODWILL

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Carrying amount at the beginning of the period/year:		
Cost	**10,640,172**	10,787,650
Accumulated impairment	**359,235**	381,481
Net carrying amount	**10,280,937**	10,406,169
Movements during the period/year:		
Additions and effect of exchange rate changes	**156,414**	(147,478)
Impairment and effect of exchange rate changes	**4,618**	(22,246)
Carrying amount at the end of the period/year:		
Cost	**10,796,586**	10,640,172
Accumulated impairment	**363,853**	359,235
Net carrying amount	**10,432,733**	10,280,937

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
China Asset Management Co., Ltd.	**7,418,587**	7,418,587
CITIC Securities International Company Limited	**2,219,263**	2,097,112
CITIC Securities Overseas Investment Company Limited	**464,340**	434,695
CITIC Futures Co., Ltd.	**193,826**	193,826
CITIC Securities (Shandong) Co., Ltd.	**88,675**	88,675
CITIC Securities Company Limited	**43,500**	43,500
Xin Jiang Equity Exchange Centre Limited	**4,542**	4,542
Total	**10,432,733**	10,280,937

(In RMB thousands, unless otherwise stated)

17 LAND-USE RIGHTS AND INTANGIBLE ASSETS

30 June 2018 (Unaudited)	Seats on Stock Exchanges	Software Development	Customer Relationships	Trademarks	Land-Use Rights	Total
Cost						
31 December 2017 (Audited)	127,522	1,280,764	1,271,237	277,976	2,261,433	5,218,932
Increases	–	24,582	20,508	–	–	45,090
Decreases	(74)	(212)	–	–	–	(286)
Effect of exchange rate change	3,004	6,091	14,711	3,568	–	27,374
30 June 2018 (Unaudited)	130,452	1,311,225	1,306,456	281,544	2,261,433	5,291,110
Accumulated amortization						
31 December 2017 (Audited)	98,347	964,750	557,658	–	149,339	1,770,094
Increases	60	96,549	70,219	–	29,340	196,168
Decreases	(74)	(98)	–	–	–	(172)
Effect of exchange rate change	525	7,651	9,008	–	–	17,184
30 June 2018 (Unaudited)	98,858	1,068,852	636,885	–	178,679	1,983,274
Allowance for impairment						
31 December 2017 (Audited)	1,506	–	–	–	–	1,506
Increases	–	–	–	–	–	–
Decreases	–	–	–	–	–	–
Effect of exchange rate change	–	–	–	–	–	–
30 June 2018 (Unaudited)	1,506	–	–	–	–	1,506
Net carrying amount						
30 June 2018 (Unaudited)	30,088	242,373	669,571	281,544	2,082,754	3,306,330
31 December 2017 (Audited)	27,669	316,014	713,579	277,976	2,112,094	3,447,332

(In RMB thousands, unless otherwise stated)

17 LAND-USE RIGHTS AND INTANGIBLE ASSETS (Continued)

31 December 2017 (Audited)	Seats on Stock Exchanges	Software Development	Customer Relationships	Trademarks	Land-Use Rights	Total
Cost						
31 December 2016	128,010	1,241,171	1,320,600	295,168	2,261,433	5,246,382
Increases	12	78,043	20,248	–	–	98,303
Decreases	(288)	(2,313)	–	(2)	–	(2,603)
Effect of exchange rate change	(212)	(36,137)	(69,611)	(17,190)	–	(123,150)
31 December 2017	127,522	1,280,764	1,271,237	277,976	2,261,433	5,218,932
Accumulated amortization						
31 December 2016	98,979	798,557	438,422	–	90,661	1,426,619
Increases	127	195,279	147,536	–	58,678	401,620
Decreases	(60)	(1,793)	–	–	–	(1,853)
Effect of exchange rate change	(699)	(27,293)	(28,300)	–	–	(56,292)
31 December 2017	98,347	964,750	557,658	–	149,339	1,770,094
Allowance for impairment						
31 December 2016	–	184	–	–	–	184
Increases	1,473	–	–	–	–	1,473
Decreases	–	(184)	–	–	–	(184)
Effect of exchange rate change	33	–	–	–	–	33
31 December 2017	1,506	–	–	–	–	1,506
Net carrying amount						
31 December 2017	27,669	316,014	713,579	277,976	2,112,094	3,447,332
31 December 2016	29,031	442,430	882,178	295,168	2,170,772	3,819,579

The Company and its wholly owned subsidiary GoldStone ZeXin Investment Management Co., Ltd. (hereinafter referred to as "GoldStone Zexin") jointly bid for a piece of land-use right in Shenzhen in January 2014. GoldStone ZeXin is engaged in, among other business activities, real estate development. The Company and GoldStone Zexin obtained the land-use right certificate in August, 2015. GoldStone Zexin obtained a bank loan, which is secured over the land-use right held by the Company and GoldStone Zexin and guaranteed by GoldStone Investment Co., Ltd., the immediate holding company of GoldStone ZeXin.

The portion of the land-use right attributable to GoldStone ZeXin for real estate development is classified under Other Non-Current Assets (Note 23), and the portion attributable to the Company is classified under land-use rights.

(In RMB thousands, unless otherwise stated)

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current

	31 December 2017 (Audited)
At fair value:	
Equity investments	892,472
Others (i)	17,392,240
At cost:	
Equity investments	10,838,149
	29,122,861
Less: impairment allowance	928,144
Total	28,194,717
Analyzed into:	
Listed	18,284,713
Unlisted	9,910,004
	28,194,717

Current

	31 December 2017 (Audited)
At fair value:	
Debt securities	14,192,714
Equity investments	10,122,252
Others	7,160,305
	31,475,271
Less: impairment allowance	443,056
Total	31,032,215
Analyzed into:	
Listed	23,121,939
Unlisted	7,910,276
	31,032,215

(i) As at 31 December 2017, others mainly included the investment portfolio, operated by China Securities Finance Corporation Limited ("CSF"), which was jointly invested by the Company and other securities companies. Under the investment agreement, the Company and other joint investors share the income/ loss based on contribution proportion. The balances were reclassified to financial assets at fair value through other comprehensive income upon the new adoption of IFRS 9 (see Note 19).

As at 31 December 2017, based on the investment report provided by CSF, the cost and fair value of the Company's investment managed by CSF was RMB15,675 million and RMB17,392 million, respectively.

See Note 2.5 regarding the classification impacts of the adoption of IFRS 9 from 1 January 2018.

(In RMB thousands, unless otherwise stated)

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Non-current

	30 June 2018 (Unaudited)
Equity instruments (i)	**16,673,949**
Analyzed into:	
Listed	**–**
Unlisted	**16,673,949**
	16,673,949

Current

	30 June 2018 (Unaudited)
Debt instruments	**22,196,477**
Analyzed into:	
Listed	**22,196,477**
Unlisted	**–**
	22,196,477

(i) As at 30 June 2018, the balance represented the investment portfolio, operating by China Securities Finance Corporation Limited ("CSF"), reclassified from available-for-sale investment upon the new adoption of IFRS 9 (see Note 18).

As at 30 June 2018, based on the investment report provided by CSF, the cost of the Company's investment managed by CSF was RMB15,675 million, while the fair value was RMB16,674 million.

(In RMB thousands, unless otherwise stated)

20 FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2017 (Audited)
Non-current	
Equity investments	8,133,723
Debt securities	50,776
Others	318,893
	8,503,392
Analyzed into:	
Listed	1,764,874
Unlisted	6,738,518
	8,503,392
Current	
Equity investments	11,200,555
Others	1,010
	11,201,565
Analyzed into:	
Listed	11,201,565
Unlisted	—
	11,201,565

See Note 2.5 regarding the classification impacts of the adoption of IFRS 9 from 1 January 2018.

21 REFUNDABLE DEPOSITS

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Securities trading related deposits	**1,008,291**	838,330
Credit deposits	**96,739**	103,963
Performance bonds	**78,467**	30,117
Total	**1,183,497**	972,410

(In RMB thousands, unless otherwise stated)

22 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets (Unaudited)	**Depreciation allowance**	**Fair value changes of financial instruments**	**Allowance for impairment losses**	**Salaries, bonuses, and allowances payable**	**Others**	**Total**
At 31 December 2017 (Audited)	**28,421**	**30,301**	**633,116**	**2,531,678**	**161,436**	**3,384,952**
Changes in accounting policy	**–**	**288,289**	**(237,824)**	**79,184**	**–**	**129,649**
At 1 January 2018	**28,421**	**318,590**	**395,292**	**2,610,862**	**161,436**	**3,514,601**
Credited/(debited) to the statement of profit or loss	**364**	**(176,129)**	**153,283**	**(141,925)**	**62,529**	**(101,878)**
Credited/(debited) to other comprehensive income	**(6,546)**	**(332)**	**–**	**1,252**	**(25,038)**	**(30,664)**
At 30 June 2018 (Unaudited)	**22,239**	**142,129**	**548,575**	**2,470,189**	**198,927**	**3,382,059**

Deferred income tax assets (Audited)	Depreciation allowances	Fair value changes of financial instruments	Allowance for impairment losses	Salaries, bonuses, and allowances payable	Others	Total
At 31 December 2016	40,560	1,567	706,049	1,907,088	155,589	2,810,853
Credited/(debited) to the statement of profit or loss	8,296	26,086	(72,933)	558,818	52,259	572,526
Credited/(debited) to other comprehensive income	(20,435)	2,648	–	65,772	(46,412)	1,573
At 31 December 2017	28,421	30,301	633,116	2,531,678	161,436	3,384,952

(In RMB thousands, unless otherwise stated)

22 DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

Deferred income tax liabilities (Unaudited)	Amortization allowance	Fair value changes of financial instruments	Others	Total
At 31 December 2017 (Audited)	353,036	1,454,756	824,419	2,632,211
Changes in accounting policy	–	103,677	–	103,677
At 1 January 2018	353,036	1,558,433	824,419	2,735,888
Debited/(credited) to the statement of profit or loss	–	276,914	(957)	275,957
Debited/(credited) to other comprehensive income	(37,369)	(151,326)	6,741	(181,954)
At 30 June 2018 (Unaudited)	315,667	1,684,021	830,203	2,829,891

Deferred income tax liabilities (Audited)	Amortization allowance	Fair value changes of financial instruments	Others	Total
At 31 December 2016	461,766	1,063,677	40,301	1,565,744
Debited /(credited) to the statement of profit or loss	(82,862)	461,026	777,828	1,155,992
Debited/(credited) to other comprehensive income	(25,868)	(69,947)	6,290	(89,525)
At 31 December 2017	353,036	1,454,756	824,419	2,632,211

(In RMB thousands, unless otherwise stated)

23 OTHER NON-CURRENT ASSETS

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Project investment (Note 17)	**1,696,679**	1,681,981
Receivables and others	**2,081,853**	1,888,290
Total	**3,778,532**	3,570,271

24 MARGIN ACCOUNTS

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Margin accounts	**67,990,303**	74,286,226
Less: impairment allowance	**318,717**	303,615
Total	**67,671,586**	73,982,611

Margin accounts are funds that the Group lends to the customers for margin financing business.

As at 30 June 2018, the Group received collateral with fair value amounted to RMB221,784 million (31 December 2017: RMB265,615 million), in connection with its margin financing business.

25 FINANCIAL ASSETS HELD FOR TRADING

	31 December 2017 (Audited)
Debt securities	88,149,340
Equity investments (i)	62,594,705
Others	7,704,501
Total	158,448,546
Analyzed into:	
Listed	117,160,176
Unlisted	41,288,370
	158,448,546

(i) Included RMB72 million of securities lent to clients under securities lending arrangements as at 31 December 2017.

See Note 2.5 regarding the classification impacts of the adoption of IFRS 9 from 1 January 2018.

(In RMB thousands, unless otherwise stated)

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018 (Unaudited)
Mandatory	
Non-current	
Debt instruments	**40,000**
Equity instruments	**15,750,051**
Others	**2,768,306**
Total	**18,558,357**
Analyzed into:	
Listed	**1,454,534**
Unlisted	**17,103,823**
	18,558,357
Current	
Debt instruments	**106,214,452**
Equity instruments (i)	**67,668,194**
Others	**16,365,620**
Total	**190,248,266**
Analyzed into:	
Listed	**136,119,300**
Unlisted	**54,128,966**
	190,248,266

(i) Included RMB355 million of securities lent to clients under securities lending arrangements as at 30 June 2018.

(In RMB thousands, unless otherwise stated)

27 DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2018		31 December 2017	
	Assets (Unaudited)	Liabilities (Unaudited)	Assets (Audited)	Liabilities (Audited)
Interest rate derivatives	**2,970,053**	**2,967,889**	746,452	781,057
Currency derivatives	**412,016**	**218,908**	1,047,267	872,325
Equity derivatives	**4,028,781**	**3,567,408**	3,646,258	9,020,173
Credit derivatives	**860,653**	**457,645**	257,402	30,796
Others	**423,630**	**388,673**	203,416	2,596,880
Total	**8,695,133**	**7,600,523**	5,900,795	13,301,231

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position as at 30 June 2018 were settled daily and the corresponding payments or receipts are included in "cash and bank balances". Accordingly, the amount of mark-to-market gain or loss of unexpired contracts is not included in derivative financial instruments above. As at 30 June 2018, the fair value of the Group's unexpired contracts was a loss of RMB270 million (31 December 2017: gain of RMB13 million).

28 REVERSE REPURCHASE AGREEMENTS

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Analyzed by collateral:		
Stocks	**59,710,375**	78,391,278
Debts	**22,057,502**	36,725,179
Others	**284,277**	32,158
Less: impairment allowance	**1,012,247**	556,585
Total	**81,039,907**	114,592,030
Analyzed by business		
Stock repo	**5,881,272**	357,027
Pledged repo	**68,224,607**	81,457,069
Including: Stock-pledged repo	**59,425,387**	78,034,251
Outright repo	**7,792,236**	33,302,361
Others	**154,039**	32,158
Less: impairment allowance	**1,012,247**	556,585
Total	**81,039,907**	114,592,030

(In RMB thousands, unless otherwise stated)

28 REVERSE REPURCHASE AGREEMENTS (Continued)

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Analyzed by counterparty:		
Banks	**3,108,332**	11,440,867
Non-bank financial institutions	**5,987,536**	5,176,568
Others	**72,956,286**	98,531,180
Less: impairment allowance	**1,012,247**	556,585
Total	**81,039,907**	114,592,030

As at 30 June 2018, the Group received collateral amounted to RMB156,423 million (31 December 2017: RMB222,734 million), in connection with its reverse repurchase agreements.

As part of the reverse repurchase agreements, certain of these collateral received by the group are allowed to be re-pledged in the absence of default by counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral. The Group had an obligation to return the collateral to its counterparties at the maturity of the contracts.

As at 30 June 2018, the amount of the above collateral allowed to be re-pledged was RMB7,663 million (31 December 2017: RMB31,668 million), and the amount of the collateral re-pledged was RMB5,942 million (31 December 2017: RMB21,661 million).

29 OTHER CURRENT ASSETS

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Accounts due from clients	**31,886,482**	10,207,169
Accounts due from brokers	**13,370,752**	3,414,712
Interest receivable	**4,247,321**	3,368,327
Settlement deposits receivable	**3,105,024**	2,623,354
Deferred expenses	**179,840**	163,535
Dividends receivable	**5,120**	3,283
Bulk commodity trading inventory and others	**11,772,496**	7,039,921
Less: Impairment allowance	**897,408**	655,767
Total	**63,669,627**	26,164,534

(In RMB thousands, unless otherwise stated)

30 CASH HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of customers and the corresponding liabilities as customer brokerage deposits (Note 32). In the PRC, the use of cash held on behalf of customers for security and the settlement of their transactions is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the "Securities and Futures (Client Money) Rules" together with the related provisions of the Securities and Futures Ordinance impose similar restrictions. In other countries and regions, cash held on behalf of customers is supervised by authorized institutions.

31 CASH AND BANK BALANCES

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Cash on hand	**464**	266
Deposits in banks	**46,596,120**	34,302,875
Total	**46,596,584**	34,303,141

As at 30 June 2018, the Group had restricted funds of RMB3,817 million (31 December 2017: RMB3,364 million).

32 CUSTOMER BROKERAGE DEPOSITS

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Customer brokerage deposits	**130,352,080**	99,854,891

Customer brokerage deposits represent the amount received from and repayable to clients arising from the ordinary course of the Group's securities brokerage activities. For more details, please refer to Note 30 "Cash held on behalf of customers".

(In RMB thousands, unless otherwise stated)

33 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018 (Unaudited)	31 December 2017 (Unaudited)
Financial liabilities held for trading		
Current		
Debt instruments	**5,333,113**	7,175,335
Equity investments	**836,643**	989,779
Others	**14,783**	—
Subtotal	**6,184,539**	8,165,114
Financial liabilities designated as at fair value through profit or loss		
Non-current		
Equity linked notes and others	**4,363,392**	461,417
Current		
Minority interests of consolidated structured entities	**588,257**	1,257,814
Structured notes and others	**38,470,046**	36,567,425
Subtotal	**39,058,303**	37,825,239
Total	**49,606,234**	46,451,770

(In RMB thousands, unless otherwise stated)

34 REPURCHASE AGREEMENTS

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Analyzed by collateral:		
Equity	**1,468,350**	2,147,587
Debts	**67,443,063**	71,644,776
Gold	**14,010,291**	19,871,472
Others	**16,867,828**	17,956,092
Total	**99,789,532**	111,619,927
Analyzed by counterparty:		
Banks	**50,717,668**	51,387,558
Non-bank financial institutions	**13,739,018**	16,838,217
Others	**35,332,846**	43,394,152
Total	**99,789,532**	111,619,927

As at 30 June 2018, the Group's pledged collateral in connection with its repurchase financing business amounted to RMB114,501 million (31 December 2017: RMB126,074 million).

35 TAXES PAYABLE

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Enterprise income tax	**850,555**	1,205,066
Individual income tax	**517,515**	414,984
Value added tax	**140,796**	128,160
Business tax	**4,727**	9,994
Others	**40,470**	35,172
Total	**1,554,063**	1,793,376

(In RMB thousands, unless otherwise stated)

36 SHORT-TERM LOANS

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Analyzed by nature:		
Credit loans	**5,563,396**	5,456,469
Collateralized loans	**1,517,580**	534,982
Total	**7,080,976**	5,991,451
Analyzed by maturity:		
Maturity within one year	**7,080,976**	5,991,451

As at 30 June 2018, the annual interest rates on the short-term loans were in the range of 1.75% to 4.10% (31 December 2017: 1.71% to 3.00%). As at 30 June 2018, the book value of the collateral was RMB2,877 million (31 December 2017: RMB2,239 million)

(In RMB thousands, unless otherwise stated)

37 SHORT-TERM FINANCING INSTRUMENTS PAYABLE

Six months ended 30 June 2018 (Unaudited)

Name	Issue date	Maturity date	Coupon rate	Opening balance	Increase	Decrease	Ending balance
17 CITIC 01	**11/08/2017**	**11/08/2018**	**4.60%**	**4,580,936**	**103,349**	**568**	**4,683,717**
17 CITIC 02	**12/09/2017**	**12/09/2018**	**4.84%**	**6,088,066**	**144,979**	**797**	**6,232,248**
18 CITIC CP001	**19/01/2018**	**20/04/2018**	**4.70%**	**–**	**2,048,078**	**2,048,078**	**–**
18 CITIC CP002	**07/02/2018**	**09/05/2018**	**4.60%**	**–**	**3,069,831**	**3,069,831**	**–**
18 CITIC CP003	**05/03/2018**	**04/06/2018**	**4.60%**	**–**	**4,047,704**	**4,047,704**	**–**
18 CITIC CP004	**04/04/2018**	**04/07/2018**	**4.11%**	**–**	**4,041,456**	**1,866**	**4,039,590**
18 CITIC CP005	**08/06/2018**	**07/09/2018**	**4.38%**	**–**	**4,011,381**	**1,355**	**4,010,026**
Structured notes	**04/01/2017~ 29/06/2018**	**02/01/2018~ 24/06/2019**	**2.65%~5.45%**	**22,868,837**	**25,769,891**	**38,912,119**	**9,726,609**
Total				**33,537,839**	**43,236,669**	**48,082,318**	**28,692,190**

Year ended 31 December 2017 (Audited)

Name	Issue date	Maturity date	Coupon rate	Opening balance	Increase	Decrease	Ending Balance
16 CITIC 01	27/10/2016	27/04/2017	3.10%	1,999,638	362	2,000,000	–
17 CITIC 01	11/08/2017	11/08/2018	4.60%	–	4,581,199	263	4,580,936
17 CITIC 02	12/09/2017	12/09/2018	4.84%	–	6,088,416	350	6,088,066
Structured notes	05/01/2016~ 29/12/2017	04/01/2017~ 13/12/2018	2.60%~5.20%	19,346,592	102,453,711	98,931,466	22,868,837
Total				21,346,230	113,123,688	100,932,079	33,537,839

As at 30 June 2018, short-term financing instruments payable comprised of short-term corporate bonds and structured notes with an original tenor of less than one year.

As at 30 June 2018, there was no default related to any short-term financing instruments payable issued (31 December 2017: None).

(In RMB thousands, unless otherwise stated)

38 OTHER CURRENT LIABILITIES

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Settlement deposits payable	**21,300,312**	13,060,544
Other non-current liabilities due within one year	**13,281,203**	28,615,318
Accounts due to brokers	**11,677,792**	6,780,060
Salaries, bonuses and allowances payable	**10,617,485**	11,599,264
Dividends payable (Note 12)	**4,848,813**	2,049
Interest payable	**2,478,744**	3,031,684
Accrued liabilities (i)	**442,152**	442,152
Fee and commissions payable	**376,143**	290,495
Funds payable to securities issuers	**109,717**	60,687
Funds payable to securities holders	**165,627**	168,374
Others	**4,331,662**	3,719,737
Total	**69,629,650**	67,770,364

(i) The Company made a provision of RMB436 million on a conservative basis with reference to the margin trading accounts being inspected during the investigation in 2015. In May 2017, the Company received CSRC's Advanced Notice of Administrative Penalty, confiscating related illegal earnings of RMB62 million and imposing a fine of RMB308 million, totaling RMB370 million. At the date of this report, the Company had not received CSRC's notification of final administrative penalty, therefore no adjustment was made to the amount of accrued liabilities.

39 DEBT INSTRUMENTS ISSUED

By category		30 June 2018 (Unaudited)	31 December 2017 (Audited)
Bonds and medium term notes issued	(a)	**90,978,038**	75,694,005
Structured notes issued	(b)	**5,801,653**	1,947,628
		96,779,691	77,641,633

By maturity	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Maturity within five years	**94,280,355**	63,160,758
Maturity over five years	**2,499,336**	14,480,875
	96,779,691	77,641,633

As at 30 June 2018, there was no default related to any issued debt instruments (31 December 2017: None).

(In RMB thousands, unless otherwise stated)

39 DEBT INSTRUMENTS ISSUED (Continued)

(a) Bonds and medium term notes issued

		30 June 2018 (Unaudited)	31 December 2017 (Audited)
Item			
06 CITICS Bond	(i)	**1,500,000**	1,500,000
13 CITICS 02	(ii)	**11,983,057**	11,981,578
15 CITICS 01	(iii)	**5,499,275**	5,499,105
15 CITICS 02	(iv)	**2,499,336**	2,499,297
CITIC SEC N1910	(v)	**4,294,011**	4,238,222
16 CITICS G1	(vi)	**12,499,335**	12,499,104
16 CITICS G2	(vii)	**2,499,883**	2,499,866
17CITICS 03	(viii)	**1,999,913**	1,999,879
17CITICS 04	(ix)	**999,947**	999,930
17 CITICS C1	(x)	**1,999,665**	1,999,583
17 CITICS C2	(xi)	**2,299,874**	2,299,859
17 CITICS C3	(xii)	**799,939**	799,927
17 CITICS C4	(xiii)	**4,899,662**	4,899,628
17 CITICS G1	(xiv)	**9,999,313**	9,999,113
17 CITICS G2	(xv)	**1,999,898**	1,999,885
17 CITICS G3	(xvi)	**2,394,300**	2,392,398
17 CITICS G4	(xvii)	**2,394,310**	2,393,230
18 CITICS 01	(xviii)	**4,799,498**	—
18 CITICS 02	(xix)	**2,499,752**	—
18 CITICS G1	(xx)	**1,695,211**	—
18 CS 03	(xxi)	**2,999,764**	—
18 CS G1	(xxii)	**2,392,708**	—
18 CS G2	(xxiii)	**599,954**	—
CITIC SEC N2204	(v)	**3,285,788**	3,242,260
CITIC SEC N2004	(v)	**1,977,644**	1,951,141
KVBFG-Convertible Bond	(xxiv)	**166,001**	—
Carrying amount		**90,978,038**	75,694,005

(i) Pursuant to the approval of the CSRC, the Company issued a 15-year bond with a face value of RMB1.5 billion from 25 May 2006 to 2 June 2006, which was guaranteed by CITIC Corporation Limited. The coupon rate of the bond is 4.25% and the maturity date is 31 May 2021.

(ii) Pursuant to the approval of the CSRC, the Company issued a 10-year unguaranteed bond with a face value of RMB12 billion from 7 June 2013 to 14 June 2013. The coupon rate of the bond is 5.05% and the maturity date is 7 June 2023.

(iii) Pursuant to the approval of the CSRC, the Company issued a 5-year unguaranteed bond with a face value of RMB5.5 billion from 24 June 2015 to 25 June 2015. The coupon rate of the bond is 4.60% and the maturity date is 25 June 2020.

39 DEBT INSTRUMENTS ISSUED (Continued)

(a) Bonds and medium term notes issued (Continued)

(iv) Pursuant to the approval of the CSRC, the Company issued a 10-year unguaranteed bond with a face value of RMB2.5 billion from 24 June 2015 to 25 June 2015. The coupon rate of the bond is 5.10% and the maturity date is 25 June 2025.

(v) Pursuant to the resolution of re-Authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2013 and approval of relevant Regulatory, CITIC Securities Finance MTN Co., Ltd. established a USD 3 billion (or other equivalents) Medium Term Note Programme on 17 October 2014. During the year of 2014, CITIC Securities Finance MTN Co., Ltd. had its first drawdown under the Programme to issue notes with a face value of USD 0.65 billion. During the year of 2015, CITIC Securities Finance MTN Co., Ltd. had eight drawdowns under the Programme to issue notes with an aggregated face value of USD 439.68 million, which were at maturity and paid off in the year. CITIC Securities Finance MTN Co., Ltd. had two further drawdowns under the Programme to issue notes with the face value of USD 0.5 billion and USD 0.3 billion on 11 April 2017. In April 2018, CITIC Securities Finance MTN Co., Ltd. had four additional drawdowns under the Programme to issue notes with an aggregated face value of USD 429.20 million. These Medium Term Notes are guaranteed by the Company with no counter-guarantee arrangement with maturity terms less than one year and were included under Note 38 as at 30 June 2018.

(vi) Pursuant to the approval of the CSRC, the Company issued a 3-year unguaranteed bond with a face value of RMB12.5 billion from 16 November 2016 to 17 November 2016. The coupon rate of the bond is 3.26% and the maturity date is 17 November 2019.

(vii) Pursuant to the approval of the CSRC, the Company issued a 5-year unguaranteed bond with a face value of RMB2.5 billion from 16 November 2016 to 17 November 2016. The coupon rate of the bond is 3.38% and the maturity date is 17 November 2021.

(viii) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2014 and approval of relevant Regulatory, the Company issued a 2-year unguaranteed subordinated redeemable bond with a face value of RMB2 billion on 11 September 2017. The coupon rate of the bond is 4.97% and the maturity date is 12 September 2019.

(ix) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2016 and approval of relevant Regulatory, the Company issued a 2-year unguaranteed subordinated redeemable bond with a face value of RMB1 billion on 14 December 2017. The coupon rate of the bond is 5.50% and the maturity date is 15 December 2019.

(x) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2013 and approval of relevant Regulatory, the Company issued a 3-year unguaranteed subordinated redeemable bond with a face value of RMB2 billion on 24 May 2017. The coupon rate of the bond is 5.10% and the maturity date is 25 May 2020.

(xi) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2013 and approval of relevant Regulatory, the Company issued a 5-year unguaranteed subordinated redeemable bond with a face value of RMB2.3 billion on 24 May 2017. The coupon rate of the bond is 5.30% and the maturity date is 25 May 2022.

(xii) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2013 and approval of relevant Regulatory, the Company issued a 3-year unguaranteed subordinated redeemable bond with a face value of RMB0.8 billion on 25 October 2017. The coupon rate of the bond is 5.05% and the maturity date is 26 October 2020.

(xiii) Pursuant to the resolution of re-authorizing on Issuance of Onshore and Offshore Corporate Debt Financing Instruments approved by General Shareholders' Meeting in 2013 and approval of relevant Regulatory, the Company issued a 5-year unguaranteed subordinated redeemable bond with a face value of RMB4.9 billion on 25 October 2017. The coupon rate of the bond is 5.25% and the maturity date is 26 October 2022.

(xiv) Pursuant to the approval of the CSRC, the Company issued a 3-year unguaranteed bond with a face value of RMB10 billion from 16 February 2017 to 17 February 2020. The coupon rate of the bond is 4.20% and the maturity date is 17 February 2020.

39 DEBT INSTRUMENTS ISSUED (Continued)

(a) Bonds and medium term notes issued (Continued)

(xv) Pursuant to the approval of the CSRC, the Company issued a 5-year unguaranteed bond with a face value of RMB2 billion from 16 February 2017 to 17 February 2017. The coupon rate of the bond is 4.40% and the maturity date is 17 February 2022.

(xvi) Pursuant to the approval of the CSRC, the Company issued a 2-year unguaranteed bond with a face value of RMB2.4 billion from 27 November 2017 to 28 November 2017. The coupon rate of the bond is 5.25% and the maturity date is 28 November 2019.

(xvii) Pursuant to the approval of the CSRC, the Company issued a 3-year unguaranteed bond with a face value of RMB2.4 billion from 27 November 2017 to 28 November 2017. The coupon rate of the bond is 5.33% and the maturity date is 28 November 2020.

(xviii) Pursuant to the approval of the CSRC, the Company issued a 2-year unguaranteed bond with a face value of RMB4.80 billion from 13 April 2018 to 16 April 2018. The coupon rate of the bond is 5.05% and the maturity date is 16 April 2020.

(xix) Pursuant to the approval of the CSRC, the Company issued a 3-year unguaranteed bond with a face value of RMB2.50 billion from 9 May 2018 to 10 May 2018. The coupon rate of the bond is 5.09% and the maturity date is 10 May 2021.

(xx) Pursuant to the approval of the CSRC, the Company issued a 3-year unguaranteed bond with a face value of RMB1.70 billion from 16 March 2018 to 20 March 2018. The coupon rate of the bond is 5.14% and the maturity date is 20 March 2021.

(xxi) Pursuant to the approval of the CSRC, the Company issued a 2-year unguaranteed bond with a face value of RMB3.00 billion from 14 June 2018 to 15 June 2018. The coupon rate of the bond is 5.10% and the maturity date is 15 June 2020.

(xxii) Pursuant to the approval of the CSRC, the Company issued a 3-year unguaranteed bond with a face value of RMB2.40 billion from 13 June 2018 to 15 June 2018. The coupon rate of the bond is 4.80% and the maturity date is 15 June 2021.

(xxiii) Pursuant to the approval of the CSRC, the Company issued a 5-year unguaranteed bond with a face value of RMB0.60 billion from 13 June 2018 to 15 June 2018. The coupon rate of the bond is 4.90% and the maturity date is 15 June 2023.

(xxiv) Pursuant to the approval of the relevant regulatory authorities, the subsidiary KVB Kunlun Financial Group Ltd. (the "KVBFG") issued convertible bonds in 12 February 2018 in the total principal amount of HK$200 million at 100% of the face value of such principal amount, which may be converted into 326,264,273 conversion shares at the conversion price of HK$0.613 per conversion share (subject to adjustment). And maturity date is the second anniversary of the issue date. The Company may extend the maturity date for a further term of one year from the initial maturity date by giving notice in writing to all of the bondholder(s) on or before the maturity date and with the prior written consent from bondholder(s) of not less than 50% of the aggregate principal amount of bonds outstanding. The coupon rate of the bond is 7.5% per annum (or 12% per annum where the maturity date is extended pursuant to the bond conditions)

Unless previously redeemed / converted / purchased and cancelled as provided in the bond conditions, on the maturity date, the Company shall redeem 100% of the outstanding principal amount of the bonds together with an internal rate of return of 7.5% per annum from and including the issue date but excluding the actual date of redemption, inclusive of any coupon paid or payable on the relevant portion of the bonds.

Where the maturity date is extended pursuant to the bond conditions, the Company shall redeem 100% of the outstanding principal amount of the bonds together with an internal rate of return of 12% per annum from and including the issue date but excluding the actual date of redemption, inclusive of any coupon paid or payable on the relevant portion of the bonds.

(b) Structured notes issued

As at 30 June 2018, the structured notes issued by the Group amounted to RMB5,802 million (31 December 2017: RMB1,948 million) were with remaining tenors over one year and coupon rates ranging from 3.10% to 4.80% (31 December 2017: 3.10% to 4.60%).

40 LONG-TERM LOANS

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Analyzed by nature:		
Credit loans	**–**	533,000
Collateralized loans	**551,900**	551,900
Total	**551,900**	1,084,900
Analyzed by maturity:		
Maturity within five years	**551,900**	1,084,900

As at 30 June 2018, the interest rates on the long-term loans were 5.00% (31 December 2017: 4.60%-5.00%). As at 30 June 2018, the book value of the collateral was RMB3,935 million (31 December 2017: RMB3,935 million).

41 OTHER NON-CURRENT LIABILITIES

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Regulatory risk provision payables	**519,310**	473,632
Others	**443,861**	443,860
Total	**963,171**	917,492

42 SHARE CAPITAL

	30 June 2018		31 December 2017	
	Number of shares (Thousand) (Unaudited)	**Nominal Value (Unaudited)**	Number of shares (Thousand) (Audited)	Nominal Value (Audited)
Ordinary Shares				
Registered, issued and fully paid:				
A shares of RMB1 each	**9,838,580**	**9,838,580**	9,838,580	9,838,580
H shares of RMB1 each	**2,278,328**	**2,278,328**	2,278,328	2,278,328
Total	**12,116,908**	**12,116,908**	12,116,908	12,116,908

43 RESERVES

The amounts of the Group's reserves and the related movements are presented in the condensed consolidated interim statement of changes in equity.

(a) Capital reserve

Capital reserve primarily includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserves

(i) Statutory surplus reserve

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its profit for the year for the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, if any, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after this capitalization is not less than 25% of the registered capital immediately before capitalization.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve and other non-discretionary surplus reserves, the Company may also appropriate its after-tax profit for the year, as determined under China Accounting Standards to its discretionary surplus reserve upon approval by the General Shareholders' Meeting. Subject to the approval of General Shareholders' Meeting, the discretionary surplus reserve may be used to offset accumulated losses, if any, and may be converted into capital of the Company.

(c) General reserves

Pursuant to the requirements of regulatory authorities, including the Ministry of Finance and the CSRC, the Company is required to appropriate 10% of its after-tax profit for the year for the general risk reserve and 10% for the transaction risk reserve. These reserves may be used to offset accumulated losses of the Company but shall not be declared as dividends or converted into share capital. General reserves also include reserves that are established by subsidiaries and branches in certain countries or jurisdictions outside of the Mainland China in accordance with the regulatory requirements in their respective territories are also included herein. These regulatory reserves are not available for distribution.

(d) Investment revaluation reserve

Investment revaluation reserve represents the fair value changes of financial assets at fair value through other comprehensive income (2017: represented fair value changes of available-for-sale financial assets).

(e) Foreign currency translation reserve

Foreign currency translation reserve represents the exchange difference arising from the translation of the financial statements of the subsidiaries incorporated outside Mainland China with functional currencies other than RMB.

(f) Distributable profits

The Company's distributable profits are based on the retained earnings of the Company as determined under China Accounting Standards and IFRSs, whichever is lower.

(In RMB thousands, unless otherwise stated)

44 CASH AND CASH EQUIVALENTS

	30 June 2018 (Unaudited)	30 June 2017 (Unaudited)
Cash on hand	**464**	350
Deposits in banks	**42,779,194**	38,792,976
Total	**42,779,658**	38,793,326

45 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Contracted, but not provided for	**233,466**	189,448

The above-mentioned capital commitments are mainly in respect of the purchase of equipment, project and software of the Group.

(b) Operating lease commitments

(i) Operating lease commitments — as a lessee

At the end of the reporting period, the Group leased certain office properties under operating lease arrangements. The total future minimum lease payments of the Group under irrevocable operating lease arrangements are summarized below.

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Within one year	**648,989**	497,425
After one year but no more than two years	**540,532**	379,739
After two years but no more than three years	**402,075**	291,799
After three years	**520,227**	351,603
Total	**2,111,823**	1,520,566

(In RMB thousands, unless otherwise stated)

45 COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(b) Operating lease commitments (Continued)

(ii) Operating lease commitments — as a lessor

At the end of the reporting period, the future minimum lease receivables of the Group as lessor under significantly irrevocable operating lease arrangements are summarized below.

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Within one year	**273,880**	288,932
After one year but no more than two years	**271,650**	272,159
After two years but no more than three years	**249,738**	261,196
After three years	**1,149,820**	1,261,665
Total	**1,945,088**	2,083,952

(c) Legal proceedings

From time to time in the ordinary course of business, the Group is subject to claims and are parties to legal and regulatory proceedings. As at 30 June 2018, the Group was not involved in any material legal, or arbitration that if adversely determined, would materially adversely affect the Group's financial position or results of operations.

46 RELATED PARTY DISCLOSURES

(1) Largest equity holder of the Company

Name of the shareholder	Relationship	Enterprise type	Place of registration and operations	Legal representative	Principal activities	Registered share capital	Percentage of equity interest	Voting rights	Unified Social Credit Code
CITIC Corporation Limited	Largest equity holder	State-controlled	Beijing	Zhenming Chang	Financial, industrial and other services	RMB139 billion	16.50%	16.50%	911100007178317092

(In RMB thousands, unless otherwise stated)

46 RELATED PARTY DISCLOSURES (Continued)

(2) Related party transactions

(a) Largest equity holder of the Company — CITIC Corporation Limited

Transactions during the period

	Six months ended 30 June 2018 (Unaudited)	2017 (Unaudited)
Income from providing services	**1,417**	94,341
Interest expense	**23,836**	—

Guarantees between related parties

During the period from 25 May 2006 to 2 June 2006, the Company issued a 15-year bond with an aggregate face value of RMB1.5 billion (Note 39), which was guaranteed by CITIC Corporation Limited. As at 30 June 2018, the total guarantees provided by CITIC Corporation Limited amounted to RMB1.5 billion (31 December 2017: RMB1.5 billion).

(b) Subsidiaries

Transactions during the period

	Six months ended 30 June 2018 (Unaudited)	2017 (Unaudited)
Interest income	**246,374**	172,393
Investment income	**62,485**	53,016
Income from providing services	**19,049**	20,262
Lease fees received	**1,684**	1,936
Interest expense	**148,518**	78,933
Expense from receiving services	**1,642**	1,105
Lease expenses paid	**184,406**	58,968

Balances at the end of the period/year

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Other current assets	**24,001,445**	16,445,659
Available-for-sale financial assets		8,406,998
Financial assets at fair value through other comprehensive income	**8,257,633**	
Deposits for investments — Stock index futures	**1,265,519**	1,394,774
Reverse repurchase agreements	**3,518,608**	3,078,305
Derivative financial assets	**520,823**	3,619,432
Refundable deposits	**1,185,856**	800,815
Financial assets held for trading		42,375
Financial assets at fair value through profit or loss	**114,985**	
Land use rights and intangible assets	**184**	184
Property, plant and equipment	**744**	744

(In RMB thousands, unless otherwise stated)

46 RELATED PARTY DISCLOSURES (Continued)

(2) Related party transactions (Continued)

(b) Subsidiaries (Continued)

Balances at the end of the period/year (Continued)

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Other current liabilities	**8,565,749**	6,715,885
Repurchase agreements	**1,500,000**	5,600,000
Derivative financial liabilities	**1,793,111**	1,176,294
Customer brokerage deposits	**160,613**	53,955
Short-term financing instruments payable	**117,926**	712,469
Debt instruments issued	**1,030,199**	687,200

Significant balances and transactions between subsidiaries set out above have been eliminated in the consolidated financial statements.

(c) Subsidiaries and joint ventures of the largest equity holder of the Company

Transactions during the period

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Interest income	**261,893**	171,673
Income from providing services	**85,702**	120,902
Lease fees received	**14,620**	5,463
Investment income	**(68,668)**	(481)
Expense from receiving services	**113,548**	72,145
Interest expense	**106,348**	55,065
Lease expenses paid	**4,278**	5,666

Balances at the end of the period/year

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Cash held on behalf of customers (i)	**16,814,196**	12,101,261
Cash and bank balances (i)	**4,306,876**	6,017,147
Other current assets	**481,418**	578,845
Other current liabilities	**5,438**	8,541

(i) Represents deposits placed with financial institutions, which are the subsidiaries of the largest equity holder of the Company.

(In RMB thousands, unless otherwise stated)

46 RELATED PARTY DISCLOSURES (Continued)

(2) Related party transactions (Continued)

(d) Controlling equity holder and ultimate parent of the largest equity holder of the Company and its subsidiaries

Transactions during the period

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Lease fees received	**850**	850
Income from providing services	**12,047**	40,034
Lease expenses paid	**16,640**	16,358
Expense from receiving services	**3,404**	3,571
Interest expense	**8**	1,883

Balances at the end of the period/year

	30 June 2018	31 December 2017
	(Unaudited)	(Audited)
Other current assets	**1,127**	1,121
Other current liabilities	**425**	434

(e) Associates

Transactions during the period

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Income from providing services	**–**	1
Lease fees received	**2,770**	1,108

Balances at the end of the period/year

	30 June 2018	31 December 2017
	(Unaudited)	(Audited)
Other current assets	**–**	31,756
Other current liabilities	**994**	994

(In RMB thousands, unless otherwise stated)

46 RELATED PARTY DISCLOSURES (Continued)

(2) Related party transactions (Continued)

(f) Joint ventures

Transactions during the period

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Lease fees received	**69**	—

Balances at the end of the period/year

	30 June	31 December
	2018	2017
	(Unaudited)	(Audited)
Other current liabilities	**17**	—

(g) Other transactions during the period

As at 30 June 2018, the collective asset management plan managed by the Company and held by the Company and its subsidiaries amounted to RMB672 million (31 December 2017: RMB696 million).

As at 30 June 2018, the structured note held by the subsidiaries and joint ventures of the largest equity holder of the Company amounted to RMB4,000 million (31 December 2017: The structured note held by the largest equity holder of the Company amounted to RMB3,000 million. And the structured note held by the subsidiaries and joint ventures of the largest equity holder of the Company amounted to RMB200 million.

As at 30 June 2018, the beneficiary rights of trusts issued by the subsidiaries and joint ventures of the largest equity holder of the Company and held by the subsidiaries of the Company amounted to RMB3,652 million (31 December 2017: None).

47 FAIR VALUE AND FAIR VALUE HIERARCHY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: Quoted prices (unadjusted) in active markets, in which the Group principally trades, for identical financial assets or financial liabilities at the measurement date.

(In RMB thousands, unless otherwise stated)

47 FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy (Continued)

Level 2: Valuation techniques using inputs other than quoted prices included within level 1 that are observable for the financial asset or financial liability, either directly or indirectly.

Level 3: Valuation techniques using inputs for the financial asset or financial liability that are not based on observable market data (unobservable inputs).

(a) Financial instruments recorded at fair value

30 June 2018 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss (Mandatory)				
— Debt instruments	47,950,799	58,263,653	40,000	106,254,452
— Equity instruments	58,157,627	7,631,376	17,629,242	83,418,245
— Others	3,912,290	11,070,030	4,151,606	19,133,926
Subtotal	110,020,716	76,965,059	21,820,848	208,806,623
Derivative financial assets	151,368	8,543,765	—	8,695,133
Financial assets at fair value through other comprehensive income				
— Debt instruments	3,783,181	18,413,296	—	22,196,477
— Equity instruments	—	16,673,949	—	16,673,949
Subtotal	3,783,181	35,087,245	—	38,870,426
Total	113,955,265	120,596,069	21,820,848	256,372,182
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
— Financial liabilities held for trading	5,846,964	337,575	—	6,184,539
— Financial liabilities designated as at fair value through profit or loss	500,448	37,502,409	5,418,838	43,421,695
Subtotal	6,347,412	37,839,984	5,418,838	49,606,234
Derivative financial liabilities	145,885	7,454,638	—	7,600,523
Total	6,493,297	45,294,622	5,418,838	57,206,757

(In RMB thousands, unless otherwise stated)

47 FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

(a) Financial instruments recorded at fair value (Continued)

31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading				
— Debt securities	45,025,670	42,994,611	129,059	88,149,340
— Equity investments	54,529,732	7,761,496	303,477	62,594,705
— Others	2,268,105	5,436,396	—	7,704,501
Subtotal	101,823,507	56,192,503	432,536	158,448,546
Financial assets designated as at fair value through profit or loss	11,263,284	1,942,499	6,499,174	19,704,957
Derivative financial assets	38,184	5,862,611	—	5,900,795
Available-for-sale financial assets				
— Debt securities	467,960	13,612,810	—	14,080,770
— Equity investments	5,720,222	2,067,123	2,984,689	10,772,034
— Others	417,343	24,046,780	—	24,464,123
Subtotal	6,605,525	39,726,713	2,984,689	49,316,927
Total	119,730,500	103,724,326	9,916,399	233,371,225
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
— Financial liabilities held for trading	7,954,878	201,282	8,954	8,165,114
— Financial liabilities designated as at fair value through profit or loss	264,289	32,878,975	5,143,392	38,286,656
Subtotal	8,219,167	33,080,257	5,152,346	46,451,770
Derivative financial liabilities	50,664	13,250,567	—	13,301,231
Total	8,269,831	46,330,824	5,152,346	59,753,001

47 FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

(b) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurement categorized within Level 2

For debt instruments at fair value through profit or loss and at fair value through other comprehensive income whose value is available on China bond pricing system on the valuation date is measured using the latest valuation results published by China bond pricing system.

For debt instruments at fair value through profit or loss and at fair value through other comprehensive income whose value is not available on China bond pricing system, equity instruments at fair value through profit or loss, listed equity instruments with disposal restriction in a specific period, the fair value is determined by valuation technique. The inputs of those valuation techniques include risk-free interest rate, implied volatility curve, RMB denominated swap yield curve, etc., which are all observable.

For equity instruments at fair value through other comprehensive income, the fair value is determined by the equity investment account report.

For forward contracts in derivative financial instruments, the fair value is measured by discounting the differences between the contract prices and market prices of the underlying financial instruments. Fair value of swap contracts in derivative financial instruments is calculated based on the difference between the quoted prices or discounted cash flows of underlying financial instruments and the fixed income agreed in the contracts. For option contracts in derivative financial instruments, the fair value is calculated by using the option pricing model.

During the period ended 30 June 2018, there were no changes of valuation techniques for level 2.

(c) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorized within Level 3

For unlisted equity investments, stocks instruments without quoted prices in active markets, fund investments, other investments, trusts, financial liabilities, etc., the Group adopts the counterparties quotations or valuation techniques to determine the fair value. Valuation techniques include a discounted cash flow analysis, and the market comparison approach, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as discount for lack of marketability, volatility and risk adjusted discount rate, etc. The fair value of the financial instruments in level 3 is not significantly sensitive to a reasonable change in these unobservable inputs.

During the period ended 30 June 2018, there were no changes of valuation techniques for level 3.

(In RMB thousands, unless otherwise stated)

47 FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

(d) Movements in Level 3 financial instruments measured at fair value

The reconciliations of the opening and closing balances of Level 3 financial assets and liabilities which are recorded at fair value are presented below:

Unaudited	As at 1 January 2018	Total gains/ (losses) recorded in profit or loss	Total losses recorded in other comprehensive income	Additions	Decreases	Transfers to Level 3 from Level 2	Transfers to Level 1 from Level 3	Transfers to Level 2 from Level 3	As at 30 June 2018
Financial assets:									
Financial assets at fair value through profit or loss (Mandatory)									
– Debt instruments	**169,059**	**26,374**	**–**	**–**	**–**	**–**	**–**	**155,433**	**40,000**
– Equity instruments	**19,947,871**	**1,012,887**	**(21,751)**	**1,044,979**	**1,205,866**	**52,657**	**–**	**3,201,535**	**17,629,242**
– Others	**–**	**–**	**–**	**4,151,606**	**–**	**–**	**–**	**–**	**4,151,606**
Financial assets at fair value through other comprehensive income									
– Debt instruments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Financial liabilities:									
Financial liabilities at fair value through profit or loss									
– Financial liabilities designated as at fair value through profit or loss	**5,143,392**	**457,442**	**–**	**–**	**181,996**	**–**	**–**	**–**	**5,418,838**
– Financial liabilities held for trading	**8,954**	**116**	**–**	**–**	**–**	**–**	**–**	**9,070**	**–**

The Group reclassified RMB10,201 million on financial assets to level 3 as of 1 January 2018 upon the implementation of IFRS 9.

(In RMB thousands, unless otherwise stated)

47 FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

(d) Movements in Level 3 financial instruments measured at fair value (Continued)

Audited	As at 1 January 2017	Total gains/ (losses) recorded in profit or loss	Total gains recorded in other comprehensive income	Additions	Decreases	Transfers to Level 3 from Level 2	Transfers to Level 1 from Level 3	Transfers to Level 2 from Level 3	As at 31 December 2017
Financial assets:									
Financial assets held for trading									
– Debt securities	320,294	13,177	–	7,145	(211,557)	–	–	–	129,059
– Equity investments	293,792	972,532	–	4,706,357	(81,130)	174,068	–	5,762,142	303,477
Financial assets designated as at fair value through profit or loss	4,902,764	680,051	–	884,835	(165,037)	196,561	–	–	6,499,174
Available-for-sale financial assets									
– Equity investments	3,234,911	–	736,034	21,747	(2,761,368)	2,658,841	299,828	605,648	2,984,689
Financial liabilities:									
Financial liabilities at fair value through profit or loss									
– Financial liabilities designated as at fair value through profit or loss	4,705,822	496,712	–	–	(59,142)	–	–	–	5,143,392
– Financial liabilities held for trading	6,473	(32)	–	6,641	(4,128)	–	–	–	8,954

The amount of investment income recognized in profit or loss from Level 3 financial instruments held by the Group is RMB218 million during the six months ended 30 June 2018 (2017: RMB2,015 million).

(e) Transfers between Level 1 and Level 2

During the six months ended 30 June 2018, the amount of financial assets at fair value through profit or loss held by the Group transferred from Level 1 to Level 2 is RMB103 million and the amount of financial assets at fair value through profit or loss from Level 2 to Level 1 is RMB233 million (31 December 2017: The financial assets held for trading and financial assets designated as at fair value through profit or loss held by the Group transferred from Level 1 to Level 2 was 103 million).

(f) Financial instruments not measured at fair value

At the end of the reporting period, the following financial assets and liabilities are not measured at fair value.

For refundable deposits, reverse repurchase agreements, cash held on behalf of customers, cash and bank balances, fee and commission receivables, margin accounts, due from banks and other financial institutions, customer brokerage deposits, repurchase agreements, short-term loans, due to banks and other financial institutions and short-term financing instruments payable, these financial instruments are of short term in nature and thus their fair values approximate to their carrying amounts.

(In RMB thousands, unless otherwise stated)

47 FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

(f) Financial instruments not measured at fair value (Continued)

The recorded amounts and fair values of debt instruments issued on the date of financial reporting are summarized below.

	Carrying amount		Fair value	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)	**30 June 2018 (Unaudited)**	31 December 2017 (Audited)
Debt instruments issued	**96,779,691**	77,641,633	**96,647,998**	76,005,327

48 FINANCIAL INSTRUMENTS RISK MANAGEMENT

Overview

Effective risk management and internal controls are considered to be critical to its successful operations. The Company has implemented comprehensive risk management and internal control processes, through which it monitors, evaluates and manages the financial, operational, compliance and legal risks that it is exposed to in the course of business, and implements vertical risk management of its subsidiaries through different models including business guidance, operational supports and decision-making management.

The Company has established a complete and effective governance structure in accordance with relevant laws, regulations and regulatory requirements. The Company's general meeting of Shareholders, the Board and Supervisory Committee perform their duties to oversee and manage the operation of the Company based on the Company Law, Securities Law and the Articles of Association of the Company. By strengthening the relevant internal control arrangements and improving the Company's control environment and internal control structure, the Board has incorporated internal control and risk management as essential elements in the Company's decision-making processes.

Structure of Risk Management

The major framework of the risk management of the Company consists of the Risk Management Committee under the Board, the related professional committees under the Operation Management, the relevant internal control departments and business departments/business lines. The relatively comprehensive three-level risk management system enables a network of collective decision making among the respective committees, and close cooperation between internal control departments and business departments/business lines, and manages risks through review, decision, execution and supervision.

Level 1: The Board

The Risk Management Committee of the Board supervises the overall risk management of the Company with the aim of controlling risks within an acceptable level and ensures smooth implementation of effective risk management schemes over risks related to the Company's operation activities; prepares overall risk management policies for the Board's review; formulates strategic structure and resources to be allocated for risk management purposes and keeps them in line with the internal risk management policies; sets limits for major risk indicators; performs supervision and review on the risk management policies and makes recommendation to the Board.

48 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Structure of Risk Management (Continued)

Level 2: The Operation Management

The Company has established the Assets and Liabilities Management Committee. Within the authority delegated by the Board and Operation Management of the Company, the committee makes decisions on and reviews major issues and related systems involving the application of the Company's proprietary capital. For the purpose of ensuring the Company's capital security, the committee optimizes assets allocation and improves the efficiency of the capital application via a scientific, standardized and prudent approach under strict control and management over risk exposures.

The Company has established the Capital Commitment Committee. The committee performs final risk assessment and reviews on the capital commitment of the underwriting business within the authority delegated by the Board and Operation Management of the Company. All corporate finance activities involving the application of capital are subject to the approval by the Capital Commitment Committee to ensure an acceptable level of risk exposure of the corporate finance activities and security of capital.

The Company has established the Risk Management Committee. This committee reports to the Risk Management Committee of the Board and the operation management of the Company, and is responsible for monitoring and managing the daily risks of the Company within its designated authority, deciding on and approving material matters related to risk management and relevant system and setting limits for risk. The Risk Management Committee comprises a risk management sub-working group and a reputation risk management sub-working group. The risk management sub-working group is the main body responsible for the daily monitoring and management of the financial risks over the buy-side business and facilitating the execution of the decisions made by the Risk Management Committee. With regular working meeting, the Risk Management Sub-Working Group has set up specific working groups led by specific risk management control experts with the involvement of related business departments/business lines separately in accordance with market risks, credit risks, liquidity risks and operational risks to respond to matters from daily monitoring to be dealt with or decisions made by the higher authorities in a timely manner through the establishment of coordination on implementation level. The reputation risk management sub-working group is the daily management body of reputation risks and is responsible for establishing relevant rules and management mechanisms, preventing and identifying reputation risks, responding to and tackling reputation events in a proactive and effective manner and mitigating any negative effect to the largest extent.

The Company appoints the Chief Risk Officer to coordinate the overall risk management.

The Company has established the Product Committee. Under the authority of the Board and Operation Management, the Product Committee uniformly makes plans, preparation and decisions regarding the products and service business of the Company. It reviews the launch or sales of products and provides related service, and is the decision-making body of the appropriateness management for the launch of financial products of the Company. The Risk Evaluation Group and the Appropriateness Management Group were established under the Product Committee. The Risk Evaluation Group is responsible for reviewing the qualification of the principal which entrusted the Company to sell products, and is tasked with organizing the specific product evaluation, establishing the classification criteria and methods of risks associated with products or services of the Company, performing risk assessment and risk grading on products or services, as well as supervising the management of product terms. The Appropriateness Management Group is responsible for the formulation of the classification

48 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Structure of Risk Management (Continued)

Level 2: The Operation Management (Continued)

criteria of investors, performing the principle and process matching the investors' appropriateness and urging the departments to implement the appropriate management of investors, as well as organizing appropriateness training and the self-examination and rectification of the appropriateness levels of the Company, in order to establish and improve the appropriateness assessment database and other related works.

Level 3: Division/Business Lines

At the division and business line level, the Company has segregated the roles and responsibilities of the front office, middle office and back office to ensure the establishment of a system of "checks and balances", forming three lines of defense in risk management jointly built by business divisions/business lines, internal control units including the Risk Management Department and the Compliance Department, as well as the Audit Department.

Being the Company's first line of defense in risk management, front-office business departments/business lines of the Company are the first line of risk defense management. These departments are responsible for the establishment of business management systems and risk management systems for various businesses and perform supervision, assessment and reporting on business risks and contain such risks within the approved limits.

Internal control departments such as the Risk Management Department and Compliance Department are the second line of defense in risk management, of which:

The Risk Management Department of the Company performs risk identification, measurement, analysis, monitoring, reporting and management. The department analyzes and assesses the overall risks of the Company and each of its business lines and recommends on optimized allocation of risk resources; assists the Risk Management Committee in the preparation of risk management indicators such as risk limits, as well as supervision and reporting on the execution of the risk limits; establishes and improves the timely reporting and feedback mechanism among front office, the Risk Management Department and the operation management, and regularly discloses the general risk portfolio of the Company to the operation management and makes recommendations on risk management; establishes a comprehensive stress test mechanism as a basis for major decision making and daily operational adjustment and fulfillment of regulatory requirements; performs pre-risk assessment and control over new products and businesses.

The Compliance Department of the Company organizes the establishment and implementation of the basic compliance policy of the Company, provides compliance advice to management, departments/business lines and branches of the Company, monitors lawful compliance of management and operating activities; supervises and instructs the business departments/business lines and branches to assess, develop, modify and improve internal management policies, procedures and business processes based on changes in laws, regulations and guidelines; performs compliance pre-reviews on new internal management policies, important decisions, new products, new businesses and key business activities launched by the Company; fulfills the regular and non-regular obligations of reporting to regulatory authorities; organizes and performs money laundering risk control in accordance with the anti-money laundering system of the Company.

48 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Structure of Risk Management (Continued)

Level 3: Division/Business Lines (Continued)

The Legal Department of the Company is responsible for oversight of the legal risks of the Company and its relevant businesses.

The Board Office promotes the management over the reputation risk of the Company in conjunction with the Office of the CEO, Risk Management Department, Compliance Department, Human Resources Department, Legal Department, Information Technology Centre, Audit Department and other relevant departments.

The Information Technology Centre of the Company is responsible for managing the IT risks of the Company.

The Audit Department of the Company is the third line of defense in risk management and has the overall responsibility for internal audit, planning and implementing internal audit of all departments/business lines of the Company, its subsidiaries and branches, monitoring the implementation of internal control systems, preventing various moral and policy risks, and assisting the Company with the investigation of emergency events.

Other internal control units exercise their respective risk management functions within the scope of their responsibilities.

(a) Credit risk

Credit risk is the risk in respect of loss arising from the inability of a borrower, counterparty or issuer of financial positions held by the Company to meet its obligations or whose credit qualifications deteriorate.

The credit risk of the Group mostly arises from four aspects. Firstly, the brokerage business in respect of securities dealing and futures trading on behalf of clients, if the Group does not require the clients to pay sufficient margin deposits in advance according to the laws, the Group may have to undertake the settlement responsibility on behalf of clients if the clients do not have sufficient funds to pay for the transaction, or face financing gaps due to other factors on the settlement date, and accordingly resulting in losses. Secondly, credit risk arising from the securities financing businesses including margin financing and securities lending, stock repo, stock-pledged repo, which refers to the Group's exposure to losses caused by clients' failure to honour the contracts. Thirdly, default risk from credit product investment, which refers to the risk of the Group's asset losses and change in yield for the reason of default or refusal to pay principal and interest on due dates by the financing parties or the issuers of the credit products the Group invested. Fourthly, counterparty default risk in OTC derivative transactions such as interest rate swap, equity swap, OTC option and forwards, i.e. the risk of counterparties failing to perform their payment obligations in accordance with contracts when the contracts reach the mature dates.

The Company assesses the credit ratings of counterparties or issuers through its internal credit rating systems, measures its credit risk by means of stress tests and sensitivity analysis, and manages such credit risk based on these results through credit approval system. Meanwhile, the Company uses its information management systems to monitor its credit risk on a real-time basis, keeps track of the credit risk of its business products and transaction counterparties, provides analysis and pre-warning reports, and adjusts its credit limits in a timely manner.

48 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Securities brokerage business transactions within China are all required to be settled in full by security deposit, as a result of which the settlement risk associated with brokerage business has been largely controlled.

Credit risk arising from the securities financing business primarily includes clients' provision of false information, failure to make full repayment on time, contractual breach of portfolio limits and compositions, violation of regulatory requirements, and provision of collateral encumbered with legal disputes. Credit risk arising from this type of businesses is mainly managed through client education, credit reference checks, credit approval, daily mark to market, risk reminders to clients, forced liquidation of clients' positions, judicial recourse and other means.

For credit products investment, in respect of private equity investment, the Company has established the entrance levels and investment caps for its products and will manage its credit risk through risk assessment, risk reminders and judicial recourse, and in respect of public offering investments, through the counterparty credit approval policy, the Company has developed certain investment restrictions based on the credit ratings.

The counterparties in OTC derivative transactions are mainly financial institutions and other professional institutions and the main risks are their failure to make payments on time, their failure to cover the security deposits in a timely manner when the losses are made on investments and discrepancy between amounts calculated by the parties, etc. The Company sets certain proportions for the security deposits of counterparties and restrictions on the transaction size, controls the credit risk exposure of counterparties through daily mark to market, margin calls and forced liquidation of clients' positions, and carries out recourse through judicial procedures upon the forced liquidation of clients' positions and the occurrence of losses.

The Group continued to maintain strict risk management standards for its securities financing business from multiple perspectives in terms of pledge ratio, collaterals, security payment ratio, concentration, liquidity, durations etc., and managed its credit risk exposure through timely mark to market management.

(In RMB thousands, unless otherwise stated)

48 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The maximum credit risk exposure of the Group without taking account of any collateral and other credit enhancements is presented below:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Available-for-sale financial assets		43,758,439
Financial assets at fair value through other comprehensive income (Debt instruments)	**22,196,477**	
Refundable deposits	**1,183,497**	972,410
Margin accounts	**67,671,586**	73,982,611
Financial assets held for trading		115,120,901
Financial assets designated as at fair value through profit or loss		359,232
Financial assets at fair value through profit or loss (Mandatory)	**146,341,381**	
Derivative financial assets	**8,695,133**	5,900,795
Reverse repurchase agreements	**81,039,907**	114,592,030
Cash held on behalf of customers	**100,675,023**	92,386,338
Bank balances	**46,596,120**	34,302,875
Others	**64,191,471**	26,461,322
Total maximum credit risk exposure	**538,590,595**	507,836,953

The Group's credit risk exposure of financial instruments for which an ECL allowance is recognized as follows according to the stage of ECL:

Impairment and loss allowance

	30 June 2018			
	Stage of ECL			
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III	Total
Reverse repurchase agreement	**200,943**	**222,174**	**589,130**	**1,012,247**
Margin account	**195,581**	**70,848**	**52,288**	**318,717**
Financial assets at fair value through other comprehensive income (Debt instruments)	**43,346**	**—**	**77,972**	**121,318**
Others	**308,452**	**85,117**	**747,729**	**1,141,298**
Total	**748,322**	**378,139**	**1,467,119**	**2,593,580**

(In RMB thousands, unless otherwise stated)

48 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(ii) Risk concentrations

The breakdown of the Group's maximum credit risk exposure, without taking account of any collateral or other credit enhancements, as categorized by geographical area are summarized below.

	By geographical area		
30 June 2018 (Unaudited)	**Mainland China**	**Outside Mainland China**	**Total**
Financial assets at fair value through other comprehensive income (Debt instruments)	**22,147,545**	**48,932**	**22,196,477**
Refundable deposits	**936,801**	**246,696**	**1,183,497**
Margin accounts	**63,933,411**	**3,738,175**	**67,671,586**
Financial assets at fair value through profit or loss (Mandatory)	**112,372,339**	**33,969,042**	**146,341,381**
Derivative financial assets	**6,125,742**	**2,569,391**	**8,695,133**
Reverse repurchase agreements	**75,313,383**	**5,726,524**	**81,039,907**
Cash held on behalf of customers	**91,258,421**	**9,416,602**	**100,675,023**
Bank balances	**31,085,477**	**15,510,643**	**46,596,120**
Others	**7,795,204**	**56,396,267**	**64,191,471**
Total maximum credit risk exposure	**410,968,323**	**127,622,272**	**538,590,595**

	By geographical area		
31 December 2017 (Audited)	Mainland China	Outside Mainland China	Total
Available-for-sale financial assets	43,663,290	95,149	43,758,439
Refundable deposits	929,303	43,107	972,410
Margin accounts	70,545,373	3,437,238	73,982,611
Financial assets held for trading	73,840,390	41,280,511	115,120,901
Financial assets designated as at fair value through profit or loss	50,776	308,456	359,232
Derivative financial assets	3,419,636	2,481,159	5,900,795
Reverse repurchase agreements	113,057,225	1,534,805	114,592,030
Cash held on behalf of customers	85,304,600	7,081,738	92,386,338
Bank balances	23,308,576	10,994,299	34,302,875
Others	6,930,754	19,530,568	26,461,322
Total maximum credit risk exposure	421,049,923	86,787,030	507,836,953

48 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(b) Liquidity risk

Liquidity risk refers to the risk that the Company is not able to obtain sufficient capital with reasonable cost and in a timely manner to pay its overdue debts, perform other payment obligations and meet capital requirements for normal business operations. The Company has consistently adhered to the overall operation of capital. The responsibilities for centralized management of fund allocation lie within the Treasury Department. At present, in respect of the domestic stock exchanges and interbank market, the Company has a relatively high credit rating, and has secured stable channels for short-term financing, such as borrowing and repurchases; meanwhile, the Company supplements the long-term working capital through the issuance of corporate bonds, subordinated bonds, structured notes via public or private offering, which enables the Company to maintain its overall liquidity at a relatively secured level.

In addition, the Risk Management Department independently monitors and assesses the fund and debt positions of the Company over a future time span on a daily basis, which measures the solvency of the Company via analysis of matching between assets and liabilities within the specified point in time and time period and indicators such as funding gaps. The Risk Management Department releases a liquidity risk report on a daily basis, reporting on the assets and liabilities and limits management of the Company. The Company also sets threshold values for internal and external liquidity risk indicators, and once exceeded, the Risk Management Department will warn the Risk Management Committee and the Senior Management of the Company as well as relevant departments according to the relevant systems, and appropriate actions will be taken by the relevant competent departments to adjust the liquidity risks exposed to a level within the permitted ranges. The Company has also established a liquidity reserve pool system, holding sufficient high liquidity assets to meet the Company’s emergency liquidity needs.

(In RMB thousands, unless otherwise stated)

48 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on their contractual undiscounted payments, is as follows:

	30 June 2018 (Unaudited)						
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative financial liabilities:							
Customer brokerage deposits	130,352,080	–	–	–	–	–	130,352,080
Financial liabilities at fair value through profit or loss	786,825	12,515,841	21,088,487	6,351,455	2,764,084	6,161,234	49,667,926
Repurchase agreements	–	88,971,128	7,982,032	3,297,505	–	–	100,250,665
Due to banks and other financial institutions	–	6,953,278	2,000,000	–	–	–	8,953,278
Short-term loans	201,694	5,826,172	1,077,422	–	–	–	7,105,288
Short-term financing instruments payable	–	28,495,339	387,720	–	–	–	28,883,059
Debt instruments issued	–	105,723	3,954,308	103,075,409	2,755,000	–	109,890,440
Long-term loans	–	–	–	554,200	–	–	554,200
Others	15,889,514	33,287,385	5,486,124	319,006	–	315,028	55,297,057
Total	147,230,113	176,154,866	41,976,093	113,597,575	5,519,084	6,476,262	490,953,993
Cash flows from derivative financial liabilities settled on a net basis	8,588	1,908,900	2,076,840	2,003,092	734,987	891,452	7,623,859
Gross-settled derivative financial liabilities:							
Contractual amounts receivable	–	(814,740)	(812,798)	–	–	–	(1,627,538)
Contractual amounts payable	–	832,954	821,251	–	–	–	1,654,205
	–	18,214	8,453	–	–	–	26,667

(In RMB thousands, unless otherwise stated)

48 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

	31 December 2017 (Audited)						
	Overdue/ repayable on demand	Less than three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative financial liabilities:							
Customer brokerage deposits	100,124,307	–	–	–	–	–	100,124,307
Financial liabilities at fair value through profit or loss	1,153,898	10,414,280	15,814,141	1,014,922	669,656	17,614,826	46,681,723
Repurchase agreements	–	76,400,969	33,184,628	2,884,451	26	–	112,470,074
Due to banks and other financial institutions	–	9,843,819	–	–	–	–	9,843,819
Short-term loans	3,772	6,523,113	305,543	–	–	–	6,832,428
Short-term financing instruments payable	–	10,841,482	23,399,681	–	–	–	34,241,163
Debt instruments issued	–	508,000	2,780,861	71,812,620	15,488,500	–	90,589,981
Long-term loans	–	6,899	20,696	1,218,017	–	–	1,245,612
Others	14,831,203	19,198,017	18,268,947	721,578	36,059	196,766	53,252,570
Total	116,113,180	133,736,579	93,774,497	77,651,588	16,194,241	17,811,592	455,281,677
Cash flows from derivative financial liabilities settled on a net basis	25,618	4,244,501	7,222,103	758,372	24,068	1,069,798	13,344,460
Gross-settled derivative financial liabilities:							
Contractual amounts receivable	–	(81,767)	–	–	–	(200,000)	(281,767)
Contractual amounts payable	–	83,423	–	–	–	219,115	302,538
	–	1,656	–	–	–	19,115	20,771

48 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(c) Market risk

Market risks represent potential losses due to movement in market prices of financial positions held. Financial positions held are derived from the proprietary investment, market-making business and other investment activities. Movements in the financial positions held primarily originate from instructions received from the customers and the relevant strategies of proprietary investment.

Market risks primarily include equity price risk, interest rate risk, commodity price risk and foreign exchange rate risk. Among which, equity price risk arises from fluctuation in the price and volatility of equities such as stocks, equity portfolio and stock index futures. Interest rate risk primarily arises from movements in the yield curve of fixed income investment, fluctuation in interest rates and credit spreads. Commodity price risk arises from adverse price movements of various commodities. Exchange rate risk represents exposures arising from changes in non-local currency rates.

The Company has established a top-down risk limit management system, which allocates the overall risk of the Company to different business departments/business lines, and through monitoring by the internal control department, and by timely assessment and reporting of significant risk matters, the overall market risk of the Company is controlled within an acceptable level.

The Company assesses, monitors and manages its overall market risks through a risk management department, which is independent of the business departments/business lines, and its assessments and testing results are reported to the respective business departments/business lines, the operation management of the Company and the Risk Management Committee. In implementing market risk management, the front-office business departments/business lines, with direct responsibility for risk management and as the frontline risk management team, dynamically manage the market risks arising from its securities holdings, and actively take measures including reducing risk exposures or risk hedging when the exposures are relatively high. The relevant monitoring personnel from the Risk Management Department will continuously cooperate and communicate directly with the respective business departments/business lines with regard to information on risk exposures, and discuss the status of risk portfolios and the losses in extreme situations.

The Risk Management Department estimates possible losses arising from market risks through a series of measurements, including possible losses under normal volatility and extreme market conditions. Under normal volatilities, the Risk Management Department measures the possible losses of the Company in the short term mainly via VaR and sensitivity analysis. In extreme situations, the department measures the possible losses of the Company via stress test. The risk report sets out the market risk portfolios and its changes in each of the business departments/business lines. The report will be delivered on a daily, weekly, monthly or quarterly basis to the responsible officers of the business departments/business lines and the operation management of the Company.

48 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

VaR represents the potential losses of investment portfolios held due to movements in market prices over a specified time period and at a given level of confidence. The Company adopts VaR as a major indicator of its market risk measurement. The calculation is based on a holding period of one trading day and a confidence level of 95%. VaR detects exposures such as interest rate risk, equity price risk and exchange rate risk, and measures the movement of market risks such as those arising from changes in interest rate curves, prices of securities and exchange rates. The Risk Management Department constantly inspects the accuracy of VaR through backtesting and improves its calculation in line with the expansion of the Company. The Company also evaluates the possible losses in its proprietary positions arising from extreme situations through stress tests. The Risk Management Department has established a series of macro and market scenarios to calculate the possible losses to the Company's positions upon the concurrence of different events under a single or multiple scenarios. These scenarios include the occurrence of major setbacks in macroeconomic conditions, significant and adverse changes in major markets and extraordinary risk events. Stress test constitutes an integral part of the market risk management. Through stress tests, the Company could focus on the possible losses to the Company, analyze its risk-return and compare its risk resistant capacities, and evaluates whether the overall market risk portfolio of the Company is within its expected limits.

The Company sets risk limits for its respective business departments/business lines to control fluctuations in profit or loss and market exposures. The risk limits are monitored by the Risk Management Department on a daily basis. When risk level is approaching or exceeds the threshold values, the Risk Management Department will warn the relevant management officers in advance, discuss with the respective business management officers, and in accordance with the opinion reached through discussions, the business departments/business lines will reduce the exposures to the risk limits, or may apply for a temporary or permanent upgrade in the limits, subject to approval by the authorized personnel or bodies.

The Company continues to modify the risk limits system, and is building up a more comprehensive system with different levels of risk limit indicators for the Company on the basis of existing indicators, its respective business departments/business lines and investment accounts, with a view to formulating substantive rules or guidelines for the management of its risk limits system.

In respect of foreign assets, in order to ensure the availability of funds required for foreign business expansion, the Company implemented centralized management toward its exchange risk. The Company keeps track of the risk by closely monitoring the value of the assets in the account on a daily basis. It monitors the exchange risk from different angles, such as assets limit, VaR, sensibility analysis and stress test, and manages exchange risk exposure through methods such as adjusting foreign currency position, using forward exchange contract/option hedging, currency swap contracts, etc.

The Group closely kept track of market and business changes, promptly identified the latest market risk profile and maintained good communication with relevant regulatory authorities and shareholders, with a view to timely control exposures to market risks.

(In RMB thousands, unless otherwise stated)

48 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(i) VaR

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 calculation is based on the historical data of the Group's VaR (confidence level of 95% and a holding period of one trading day).

The Group's VaR analysis by risk categories is summarized as follows:

	30 June 2018 (Unaudited)	30 June 2017 (Unaudited)
Stock price-sensitive financial instruments	**238,287**	174,804
Interest rate-sensitive financial instruments	**35,391**	22,445
Exchange rate-sensitive financial instruments	**80,153**	45,421
Total portfolio VaR	**215,541**	175,525

(ii) Interest rate risk

The Group's interest rate risk is the risk of fluctuation in the fair value of one or more financial instruments arising from adverse movements in interest rates. The Group's interest rate risk mainly sources from the volatility of fair value of financial instruments held by the Group which are sensitive to the interest rate risk, resulting from market interest rate's negative fluctuation.

The Group uses interest rate sensitivity analysis as the principal tool to monitor interest rate risk. The use of interest rate sensitivity analysis assumes all other variables remain constant, but changes in the fair value of financial instruments held at the end of the measurement period may impact the Group's total income and total equity when interest rates fluctuate reasonably and possibly.

(In RMB thousands, unless otherwise stated)

48 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

Assuming a parallel shift in the market interest rates and without taking into consideration of the management's activities to reduce interest rate risk, the impact of such a shift on revenue and shareholders' equity based on an interest rate sensitivity analysis of the Group is as follows:

Sensitivity of revenue

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Change in basis points		
+25 basis points	**(223,274)**	(177,694)
–25 basis points	**226,273**	180,351

Sensitivity of equity

	30 June	31 December
	2018	2017
	(Unaudited)	(Audited)
Change in basis points		
+25 basis points	**(22,686)**	(19,384)
–25 basis points	**22,834**	19,563

(iii) Currency risk

Currency risk is the risk of fluctuation in the fair value of financial instruments or future cash flows arising from adverse movements 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 different from the Group's functional currency, and its net investment in foreign subsidiaries.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on revenue and equity. A negative amount in the table reflects a potential net reduction in revenue or equity, while a positive amount reflects a potential net increase.

(In RMB thousands, unless otherwise stated)

48 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(iii) Currency risk (Continued)

Sensitivity of revenue

		Six months ended 30 June	
	Change in	**2018**	2017
Currency	currency rate	**(Unaudited)**	(Unaudited)
USD	–3%	**716,544**	271,797
HKD	–3%	**(708,680)**	91,597

Sensitivity of equity

		30 June	31 December
	Change in	**2018**	2017
Currency	currency rate	**(Unaudited)**	(Audited)
USD	–3%	**(291,643)**	(97,818)
HKD	–3%	**(7,945)**	(231,893)

While the table above indicates the effect on revenue and equity of 3% depreciation of USD and HKD, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

The tables below summarize the Group's exposure to foreign currency exchange rate risk as at 30 June 2018 and 31 December 2017. The Group's exposure to RMB is provided in the tables below for comparison purposes. Included in the table are the carrying amounts of the assets and liabilities of the Group in RMB equivalent, categorized by the original currencies.

		As at 30 June 2018 (Unaudited)			
	RMB	**USD in RMB equivalent**	**HKD in RMB equivalent**	**Other in RMB equivalent**	**Total**
Net on-balance sheet position	**129,337,148**	**(9,278,447)**	**23,959,892**	**9,436,839**	**153,455,432**

		As at 31 December 2017 (Audited)			
	RMB	USD in RMB equivalent	HKD in RMB equivalent	Other in RMB equivalent	Total
Net on-balance sheet position	128,554,318	(2,357,788)	16,886,462	10,059,567	153,142,559

48 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(iv) Price risk

Price risk is the risk that the fair value of equity instruments decreases due to the variance between the stock index level and individual share values. If this occurs, market price fluctuations of equity instruments at fair value through profit or loss will impact the Group's profit; and market price fluctuations of equity instruments classified as financial assets at fair value through other comprehensive income will impact shareholders' equity for the Group.

As at 30 June 2018, the equity investment accounted for approximately 15.22% of the total assets. The equity investment classified as the financial assets held for trading and financial assets designated as at fair value through profit or loss accounted for approximately 13.10% of the total assets as at 31 December 2017, while the equity investment classified as available-for-sale financial assets accounted for approximately 1.72% of the total assets.

49 EVENTS AFTER THE REPORTING PERIOD

Issuance of corporate bonds

Pursuant to the resolutions passed by the 11th Meeting of the 6th Session of the Board of Directors, the 2016 General Meeting of Shareholders of the Company together with the approval (SHSE[2017]No.1246) by the Shanghai Stock Exchange, the Company was authorized to issue corporate bonds through private placements to qualified investors with face value of not more than RMB30 billion. On 6 July 2018, the Company completed its fourth issuance of RMB4 billion with a term of two years at coupon rate of 4.80%.

Profit distribution after the reporting period

In the 2017 Annual General Meeting of the Shareholders of the Company held on 26 June 2018, the Company declared cash dividends on its profit for the year ended 31 December 2017. Distribution to A and H shareholders will be made within two months from the date of the Annual General Meeting.

Capital increase of CITIC-KINGTON Securities Co., Ltd.

According to the resolution passed on 27 July 2018 by the 27th Meeting of the 6th Session of the Board of Directors, the Company agreed to inject additional capital of RMB35 million to CITIC-KINGTON Securities Co., Ltd. for the purpose of supplementing capital of CITIC-KINGTON Securities Co., Ltd.

Redemption of subordinated bond "15 CITIC C2"

On 16 July 2018, the Company redeemed subordinated bond, "15 CITIC C2", which was then delisted in the Shanghai Stock Exchange. Detailed information is set forth in the related announcement made by the Company on 5 July 2018 in the Shanghai Stock Exchange's website.

50 APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The interim financial information was approved and authorized for issue by the Board of Directors on 23 August 2018.

DOCUMENTS AVAILABLE FOR INSPECTION

Financial statements signed by the Company's head, the person-in-charge of accounting affairs and the head of the accounting department and chopped with the official chop of the Company

The original copy of the review report with chops of the accounting firm and signatures and chops of CPAs

The originals of the documents and announcements of the Company published during the Reporting Period in the media designated by the CSRC for information disclosures

Interim reports published in other stock exchanges

The Articles of Association of the Company

APPENDIX: INDEX OF INFORMATION DISCLOSURE

Information disclosures made by the Company in China Securities Journal, Shanghai Securities News and Securities Times and on the website of the SSE (http://www.sse.com.cn) during the Reporting Period are set out as follows:

No.	Date of Publication	Subject Matter
1	2018-1-3	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 December 2017
2	2018-1-10	Announcement on the Financial Data for December 2017
3	2018-1-20	Announcement on the Results of the Issuance of the 2018 Short-term Commercial Paper (Tranche 1)
4	2018-1-25	Preliminary Financial Data for the Year of 2017; Supplemental Announcement on the Preliminary Financial Data for the Year of 2017
5	2018-1-26	Announcement on the Resolutions Passed at the Twenty-first Meeting of the Sixth Session of the Board
6	2018-1-27	Announcement on the Principal Financial Data of China AMC Fund for 2017
7	2018-2-2	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 January 2018
8	2018-2-7	Announcement on the Financial Data for January 2018
9	2018-2-8	Announcement on the Results of the Issuance of the 2018 Short-term Commercial Paper (Tranche 2); Announcement on 2018 Interest Payment for the 2017 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors
10	2018-2-10	H Share Announcement – Use of New Company Logo; Announcement on the Resolutions Passed at the Tenth Meeting of the Sixth Session of the Supervisory Committee; Announcement on the Cessation of LI Fang as the Non-Employee Representative Supervisor and the Chairman of the Supervisory Committee
11	2018-2-23	Announcement on the Exercise of Redemption Option by the Issuer of the “15 CITICS C1” Subordinated Bonds
12	2018-3-1	Holding Announcement on the Exercise of Redemption Option by the Issuer of the “15 CITICS C1” Subordinated Bonds
13	2018-3-2	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 28 February 2018
14	2018-3-6	Announcement on the Results of the Issuance of the 2018 Short-term Commercial Paper (Tranche 3); Announcement on Approval of Qualification of TANG Zhenyi as Senior Management of Securities Companies
15	2018-3-7	Announcement of the Redemption Results and Delisting of 2015 Subordinated Bonds (Tranche 1); Announcement on the Financial Data for February 2018
16	2018-3-10	H Share Announcement – Notification of Board Meeting
17	2018-3-14	Announcement on the Public Issuance of the 2018 Corporate Bonds (Tranche 1) to Qualified Investors; Prospectus and its Summary; Credit Rating Report
18	2018-3-15	Announcement on the Extension of Book Building Period of 2018 Corporate Bonds (Tranche 1) of CITIC Securities Company Limited Publicly Issued to Qualified Investors

No.	Date of Publication	Subject Matter
19	2018-3-16	Announcement on the Coupon Interest Rate of the 2018 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors
20	2018-3-21	Announcement on the Results of Public Issuance of the 2018 Corporate Bonds (Tranche 1) to Qualified Investors
21	2018-3-23	2017 Annual Report and its Summary; Announcement on the Resolutions Passed at the Twenty-second Meeting of the Sixth Session of the Board; Announcement on the Resolutions Passed at the Eleventh Meeting of the Sixth Session of the Supervisory Committee; Special Remarks and Independent Opinions of the Independent Non-executive Directors of the Sixth Session of the Board on Relevant Matters at the Twenty-second Meeting of the Sixth Session of the Board of the Company; Announcement on Related Party/Continuing Connected Transactions to be Contemplated in the Ordinary and Usual Course of Business in 2018; 2017 Annual Financial Statements and Audit Report; 2017 Annual Audit Report on Internal Control; 2017 CSR Report; 2017 Annual Internal Control Evaluation Report; 2017 Annual Special Statement Regarding the Appropriation of Funds by the Largest Shareholder and Other Related Parties of CITIC Securities (for the year ended 31 December 2017); Announcement on Changes in Principal Accounting Policies; Annual Report of the Audit Committee of the Board on the Performance of Duties in 2017; Measures for Administration of Conflicts of Interest of CITIC Securities; Rules of Procedure for the Risk Management Committee of the Board of CITIC Securities; Annual Report of the Independent Non-executive Directors on the Performance of Duties in 2017
22	2018-3-28	Announcement on the Listing of 2018 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors on the SSE
23	2018-4-4	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 March 2018
24	2018-4-5	Announcement on the Results of Issuance of the 2018 Short-term Commercial Paper (Tranche 4)
25	2018-4-11	Announcement on the Financial Data for March 2018
26	2018-4-18	Announcement on the 2017 Trustee Report for the 2013 Corporate Bonds (Tranche 1); H Share Announcement – Notification of Board Meeting; 2018 Follow-up Rating Report for the 2015 Corporate Bonds; Announcement on the Results of Non-Public Issuance of 2018 Corporate Bonds (Tranche 1)

No.	Date of Publication	Subject Matter
27	2018-4-21	Announcement on Follow-up Rating Results for “13 CITICS 01”, “13 CITICS 02”, “15 CITICS 01”, “15 CITICS 02”, “16 CITICS G1”, “16 CITICS G2”, “17 CITICS G1”, “17 CITICS G2”, “17 CITICS G3”, “17 CITICS G4” and “18 CITICS G1”; 2018 Follow-up Rating Report for the 2017 Corporate Bonds (Tranche 2) Publicly Issued to Qualified Investors and the 2018 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors; 2018 Follow-up Rating Report for the 2016 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors and the 2017 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors; 2018 Follow-up Rating Report for the 2013 Corporate Bonds (Tranche 1); 2018 Follow-up Rating Report for the 2015 Corporate Bonds
28	2018-4-24	Announcement on the Listing of Non-Public Issuance of the 2018 Corporate Bonds (Tranche 1) on the SSE
29	2018-4-28	2018 First Quarterly Report
30	2018-5-3	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 April 2018
31	2018-5-4	Announcement on the Receipt of No Objection Reply from the CSRC in Relation to the Application for Expanding the Scope of Cross-border Business
32	2018-5-8	Announcement on the Financial Data for April 2018
33	2018-5-10	Notice of the 2017 Annual General Meeting; Documents of the 2017 Annual General Meeting
34	2018-5-12	Announcement on the Results of Non-Public Issuance of the 2018 Corporate Bonds (Tranche 2)
35	2018-5-16	Announcement on the Proposed Non-public Issuance of Subordinated Bonds (Tranche 1) in 2018
36	2018-5-18	Announcement on 2018 Interest Payment for the Non-publicly Issued 2017 Subordinated Bonds (Tranche 1); Announcement on Cancellation of Non-public Issuance of the 2018 Subordinated Bonds (Tranche 1)
37	2018-5-22	Announcement on the Listing of Non-Public Issuance of the 2018 Corporate Bonds (Tranche 2) on the SSE
38	2018-5-29	Announcement on Principal and Interest Payment and Delisting of the 2013 Corporate Bonds (Tranche 1) (5-year); Announcement on CSRC Approval for Public Issuance of Corporate Bonds to Qualified Investors
39	2018-5-31	Announcement on 2018 Interest Payment for the 2013 Corporate Bonds (Tranche 1) (10-year); Announcement on Establishment of the CITIC Securities-Bosera Funds No.1 Credit Asset-backed Securities
40	2018-6-2	H Share Announcement – Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 May 2018
41	2018-6-7	Announcement on the Financial Data for May 2018
42	2018-6-8	Announcement on Additional Resolution for the 2017 Annual General Meeting

No.	Date of Publication	Subject Matter
43	2018-6-9	Announcement on the Results of Issuance of the 2018 Short-term Commercial Paper (Tranche 5) (Bond Connect); Announcement on the Resolutions Passed at the Twenty-fourth Meeting of the Sixth Session of the Board; Second Notice of the 2017 Annual General Meeting; Comprehensive Risk Management System
44	2018-6-11	Announcement on Public Issuance of the 2018 Corporate Bonds (Tranche 2) to Qualified Investors; Prospectus and its Summary; Credit Rating Report
45	2018-6-12	Announcement on the Extension of Book Building Period of 2018 Corporate Bonds (Tranche 2) of CITIC Securities Company Limited Publicly Issued to Qualified Investors
46	2018-6-13	Announcement on the Receipt of Relevant Approval from the SAFE; Announcement on the Coupon Interest Rate of the 2018 Corporate Bonds (Tranche 2) Publicly Issued to Qualified Investors
47	2018-6-15	Announcement on 2018 Interest Payment for the 2015 Corporate Bonds
48	2018-6-19	2017 Trustee Report for the 2016 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors; Announcement on the Results of Public Issuance of the 2018 Corporate Bonds (Tranche 2) to Qualified Investors
49	2018-6-20	Announcement on the Results of Non-public Issuance of the 2018 Corporate Bonds (Tranche 3)
50	2018-6-21	2017 Trustee Report for the 2015 Corporate Bonds; Announcement on the Audit Results Issued by the National Audit Office; 2017 Trustee Report for the 2017 Corporate Bonds (Tranche 2) Publicly Issued to Qualified Investors
51	2018-6-25	Announcement on the Exercise of Redemption Option by the Issuer of the "15 CITICS C2" Subordinated Bonds
52	2018-6-27	Legal Opinions of the 2017 Annual General Meeting; Announcement on the Resolutions Passed at the 2017 Annual General Meeting; Announcement on the Listing of Type 1 of 2018 Corporate Bonds (Tranche 2) Publicly Issued to Qualified Investors on the SSE; Announcement on the Listing of Type 2 of 2018 Corporate Bonds (Tranche 2) Publicly Issued to Qualified Investors on the SSE
53	2018-6-28	Announcement on the Listing of the Non-publicly Issued 2018 Corporate Bonds (Tranche 3) on the SSE

Note: The dates set out in the above table are dates on which the relevant announcements were published in China Securities Journal, Shanghai Securities News and Securities Times and on the website of the SSE. Each of these announcements was published on the HKEXnews website of HKEx in the morning on its respective "Date of Publication" or in the evening on the immediately preceding date.

Information disclosures made by the Company on the HKEXnews website of HKEx (http://www.hkexnews.hk) during the Reporting Period are set out as follows:

No.	Date of Publication	Subject Matter
1	2018-1-2	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 December 2017
2	2018-1-9	Announcement on the Financial Data for December 2017
3	2018-1-19	Overseas Regulatory Announcement – Announcement on the Results of the Issuance of the 2018 Short-term Commercial Paper (Tranche 1)
4	2018-1-24	Preliminary Financial Data for the Year 2017
5	2018-1-25	Announcement – Appointment of Senior Management
6	2018-1-26	Announcement – Principal Financial Data of China AMC for the Year Ended 31 December 2017
7	2018-2-1	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 January 2018
8	2018-2-6	Announcement on the Financial Data for January 2018
9	2018-2-7	Overseas Regulatory Announcement – Announcement on the Results of the Issuance of the 2018 Short-term Commercial Paper (Tranche 2); Overseas Regulatory Announcement – Announcement on 2018 Interest Payment for the 2017 Corporate Bonds (Tranche 1) Publicly Issued to Qualified Investors
10	2018-2-9	Use of New Company Logo; Announcement – Resignation of Supervisor; Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the Tenth Meeting of the Sixth Session of the Supervisory Committee
11	2018-2-22	Overseas Regulatory Announcement – Announcement on the Exercise of Redemption Option by the Issuer of the “15 CITICS C1” Subordinated Bonds
12	2018-2-28	Overseas Regulatory Announcement – Holding Announcement on the Exercise of Redemption Option by the Issuer of the “15 CITICS C1” Subordinated Bonds
13	2018-3-1	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 28 February 2018
14	2018-3-5	Announcement – Approval on the Qualification of Member of the Executive Committee by the Regulatory Authority; Overseas Regulatory Announcement – Announcement on the Results of the Issuance of the 2018 Short-term Commercial Paper (Tranche 3)
15	2018-3-6	Announcement on the Financial Data for February 2018; Overseas Regulatory Announcement – Announcement of the Redemption Results and Delisting of 2015 Subordinated Bonds (Tranche 1)
16	2018-3-9	Notification of Board Meeting

No.	Date of Publication	Subject Matter
17	2018-3-22	Proposed Change of Non-executive Director; Announcement on Changes in Principal Accounting Policies; Proposed Amendments to the Articles of Association; 2017 Annual Results Announcement; Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the Twenty-second Meeting of the Sixth Session of the Board; Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the Eleventh Meeting of the Sixth Session of the Supervisory Committee; Overseas Regulatory Announcement – Special Remarks and Independent Opinions of the Independent Non-executive Directors of the Sixth Session of the Board on Relevant Matters at the Twenty-second Meeting of the Sixth Session of the Board of the Company; Overseas Regulatory Announcement – Announcement on Related Party/Continuing Connected Transactions to be Contemplated in the Ordinary and Usual Course of Business in 2018; Overseas Regulatory Announcement – 2017 Annual Audit Report on Internal Control; Overseas Regulatory Announcement – 2017 CSR Report; Overseas Regulatory Announcement – 2017 Annual Internal Control Evaluation Report; Overseas Regulatory Announcement – Special Statement Regarding the Appropriation of Funds by the Largest Shareholder and Other Related Parties (for the year ended 31 December 2017); Overseas Regulatory Announcement – 2017 Annual Report of the Audit Committee of the Board on the Performance of Duties; Overseas Regulatory Announcement – Measures for Administration of Conflicts of Interest of CITIC Securities; Overseas Regulatory Announcement – Rules of Procedure for the Risk Management Committee of the Board of CITIC Securities; Overseas Regulatory Announcement – 2017 Annual Report of the Independent Non-executive Directors on the Performance of Duties
18	2018-4-3	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 March 2018
19	2018-4-4	Overseas Regulatory Announcement – Announcement on the Results of Issuance of the 2018 Short-term Commercial Paper (Tranche 4)
20	2018-4-10	Announcement on the Financial Data for March 2018
21	2018-4-17	Overseas Regulatory Announcement – Announcement on the Results of Non-Public Issuance of 2018 Corporate Bonds (Tranche 1); Notification of Board Meeting
22	2018-4-20	2017 Annual Report; Overseas Regulatory Announcement – Announcement on the Follow-up Rating Report for “13 CITICS 01”, “13 CITICS 02”, “15 CITICS 01”, “15 CITICS 02”, “16 CITICS G1”, “16 CITICS G2”, “17 CITICS G1”, ”17 CITICS G2“, “17 CITICS G3”, “17 CITICS G4” and “18 CITICS G1” Corporate Bonds
23	2018-4-27	2018 First Quarterly Results
24	2018-5-2	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 April 2018

No.	Date of Publication	Subject Matter
25	2018-5-3	Voluntary Announcement – Announcement on the Receipt of No Objection Reply from the CSRC in Relation to the Application for Expanding the Scope of Cross-border Business
26	2018-5-7	Announcement on the Financial Data for April 2018
27	2018-5-9	General Mandate to Issue Additional A Shares and/or H Shares; 2017 Profit Distribution Plan; Proposed Re-Authorisation of Issuances of Onshore and Offshore Corporate Debt Financing Instruments by the Company; Potential Related Party/ Connected Transactions involved in the Issuances of Onshore and Offshore Corporate Debt Financing Instruments; Proposed Change of Non-Executive Director; Proposed Amendments to the Articles of Association; Notice of the Annual General Meeting; Notice of the Annual General Meeting; Proxy Form; Reply Slip
28	2018-5-11	Overseas Regulatory Announcement – Announcement on the Results of Non-Public Issuance of the 2018 Corporate Bonds (Tranche 2)
29	2018-5-15	Overseas Regulatory Announcement – Announcement on the Proposed Non-public Issuance of Subordinated Bonds (Tranche 1) in 2018
30	2018-5-17	Overseas Regulatory Announcement – Announcement on 2018 Interest Payment for the Non-publicly Issued 2017 Subordinated Bonds (Tranche 1); Overseas Regulatory Announcement – Announcement on Cancellation of Non-Public Issuance of the 2018 Subordinated Bonds (Tranche 1)
31	2018-5-28	Overseas Regulatory Announcement – Announcement on Principal and Interest Payment and Delisting of 2013 Corporate Bonds (Tranche 1) (5-year); Overseas Regulatory Announcement – Announcement on CSRC Approval for Public Issuance of Corporate Bonds to Qualified Investors
32	2018-5-30	Overseas Regulatory Announcement – Announcement on 2018 Interest Payment of 2013 Corporate Bonds (Tranche 1) (10-year); Overseas Regulatory Announcement – Announcement of CITIC Securities Company Limited on Establishment of the CITIC Securities-Bosera Funds No.1 Credit Asset-backed Securities
33	2018-6-1	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 May 2018
34	2018-6-6	Announcement on the Financial Data for May 2018
35	2018-6-7	Proposed Appointment of Non-Employee Representative Supervisor; Supplemental Notice of the Annual General Meeting; Supplemental Notice of the Annual General Meeting; Supplemental Proxy Form
36	2018-6-8	Second Notice of the 2017 Annual General Meeting; Overseas Regulatory Announcement – Announcement on the Resolutions Passed at the Twenty-fourth Meeting of the Sixth Session of the Board; Overseas Regulatory Announcement – Comprehensive Risk Management System; Overseas Regulatory Announcement – Announcement on the Results of Issuance of the 2018 Short-term Commercial Paper (Tranche 5) (Bond Connect)

No.	Date of Publication	Subject Matter
37	2018-6-12	Overseas Regulatory Announcement – Announcement on the Receipt of Relevant Approval from the SAFE
38	2018-6-14	Overseas Regulatory Announcement – Announcement on 2018 Interest Payment for the 2015 Corporate Bonds
39	2018-6-19	Overseas Regulatory Announcement – Announcement on the Results of Non-public Issuance of the 2018 Corporate Bonds (Tranche 3)
40	2018-6-20	Voluntary Announcement – Announcement on the Audit Results Issued by the National Audit Office
41	2018-6-25	Overseas Regulatory Announcement – Announcement on the Exercise of Redemption Option by the Issuer of the “15 CITICS C2” Subordinated Bonds
42	2018-6-26	Announcement – Poll Results of the 2017 AGM; Payment of the 2017 Final Dividend

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